

CA4 ON HBL V89

90 R 21

DEC. 4 1990 -

URBAN/MUNICIPAL

CITY OF HAMILTON -
REPORT ON THE COMPRE-
HENSIVE AUD CONVENTION
FACILITIES INCORPORATION



CITY OF HAMILTON

REPORT ON THE COMPREHENSIVE AUDIT
OF THE HAMILTON ENTERTAINMENT AND
CONVENTION FACILITIES INCORPORATED

DRAFT

DECEMBER 14, 1990

The
Coopers
& Lybrand
Consulting Group

Management Consultants

**COMPREHENSIVE AUDIT OF THE
HAMILTON ENTERTAINMENT AND CONVENTION
FACILITIES INCORPORATED**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	-i-
I. <u>INTRODUCTION</u>	-1-
II. <u>THE CONTEXT OF THIS COMPREHENSIVE AUDIT</u>	-2-
A. THE INITIATIVE FOR THIS AUDIT	-2-
B. AN OVERVIEW OF HECFI	-2-
C. A REVIEW OF INDUSTRY FACTORS RELEVANT TO HECFI	-4-
D. SPECIFIC INDUSTRY SECTORS	-6-
 A. HECFI MISSION AND OBJECTIVES	-14-
B. THE ROLE OF THE BOARD OF DIRECTORS, ITS COMMITTEES AND CHAIRMAN	-16-
C. ACCOUNTABILITY OF HECFI TO CITY COUNCIL	-22-
D. STRATEGIC MANAGEMENT	-24-
G. LINKING BUDGETS WITH RESPONSIBILITY CENTRES	-29-
H. ORGANIZATIONAL STRUCTURE	-32-
 IV. <u>ACCEPTANCE BY MAJOR STAKEHOLDERS AND RELEVANCE OF ACTIVITIES</u>	-50-
A. BOARD AND COUNCIL SUPPORT FOR HECFI	-50-
B. REPEAT CLIENTS	-53-
C. ATTENDANCE LEVELS	-54-
D. ATTENTION TO CLIENT SERVICE	-54-
 V. <u>APPROPRIATENESS OF ACTIVITIES</u>	-56-
A. PROGRAM PLANNING	-56-
B. A POTENTIAL SERVICE GAP	-60-
C. IN-HOUSE VERSUS CONTRACTED SERVICES	-61-
D. COMMUNICATION STYLE AND METHODS	-69-
E. ALLOCATION OF DUTIES	-72-
F. CONFIDENTIAL ISSUES	-73-
 VI. <u>FINANCIAL RESULTS</u>	-75-
A. ALL OF THE HECFI FACILITIES RECEIVE A CITY SUBSIDY ...	-75-
B. BELOW-COST RENTALS	-78-
C. REVENUE SOURCES	-83-
D. FIXED COST STRUCTURE	-86-
E. PRICE COMPETITIVENESS	-86-

VII.	<u>COSTS AND PRODUCTIVITY</u>	-88-
A.	IMPROVED METHODS	-88-
B.	STAFF SIZE AND PRODUCTIVITY	-97-
C.	SALARY LEVELS	-109-
D.	PROMOTIONAL SERVICES	-111-
VIII.	<u>REPORTING AND MONITORING</u>	-113-
A.	REPORTING TO CITY COUNCIL	-113-
B.	EXTENSIVE REPORTS	-114-
C.	CRITICAL PERFORMANCE MEASURES	-114-
D.	REPORTING CHANGES	-117-
E.	INFORMATION DISTRIBUTION	-118-
F.	WORKLOAD DEMANDS	-119-
G.	CONSISTENCY OF REPORTS	-121-
IX.	<u>WORKING CONDITIONS</u>	-124-
A.	EMPLOYEE MORALE	-124-
B.	ORGANIZATIONAL REINFORCEMENT	-126-
C.	HUMAN RESOURCES MANAGEMENT PRACTICES	-128-
D.	TRAINING AND CROSS-TRAINING	-129-
X.	<u>PROTECTION OF KEY ASSETS</u>	-132-
A.	PROTECTION OF PHYSICAL ASSETS	-132-
B.	INFORMATION VULNERABILITY	-133-
C.	STAFFING VULNERABILITIES	-136-
XI.	<u>SECONDARY IMPACTS</u>	-137-
A.	LONG-TERM PROGRAMMING CONTRACTS	-137-
B.	PROGRAMMING FLEXIBILITY	-138-
C.	POLICY DECISIONS	-139-
XII.	<u>CONCLUSION</u>	-141-

EXECUTIVE SUMMARY

This report presents the results of a comprehensive audit of The Hamilton Entertainment and Convention Facilities Inc. (HECFI). The audit was commissioned as part of a cycle of comprehensive audit initiatives that the City of Hamilton has recently introduced. The particular focus of the audit was on the effectiveness of HECFI's governing structure and accountability relationships with the City of Hamilton, and of the organizations's administrative policies and procedures.

HECFI is a corporate structure founded in 1985 and responsible for the management of three City-owned facilities: the Hamilton Convention Centre, Copps Coliseum, and Hamilton Place. These facilities provide services to a number of user groups in the hospitality and entertainment industry sectors. Both of those sectors have unique operating and service requirements and have a revenue-risk profile since consumer expenditures are largely discretionary.

Our report contains 58 recommendations covering the spectrum of organizational governance, management, structure, operations, finances and accountability practices of HECFI. The recommendations present many challenges to HECFI's Board and management in the months and years ahead. We have prepared the recommendations in the context of an analytical framework for effectiveness reporting and audit developed by the Canadian Comprehensive Auditing Foundation. Among our principal findings are that:

- there is justifiable pride in the three facilities operated by HECFI. All facilities are considered to be first-class, relative to their size and primary operating purposes;
- front line employees have a solid grasp of the service expectations held by paying customers – that is, both the clients who rent space and patrons who attend events;
- there is potential conflict in HECFI's objectives and a contradiction in Board directions for the organization to reduce the City subsidy while simultaneously making available below-cost space rentals to community groups and to sports businesses;

This report contains information of a confidential nature and is to be handled as such. It is the property of the Department of Defense and is not to be distributed outside the Department without prior approval. The information contained herein is for the use of the Department of Defense only and is not to be released to the public. The Department of Defense is not responsible for the use or misuse of the information contained herein.

The Department of Defense is committed to the protection of the information it contains. This report contains information of a confidential nature and is to be handled as such. It is the property of the Department of Defense and is not to be distributed outside the Department without prior approval. The information contained herein is for the use of the Department of Defense only and is not to be released to the public. The Department of Defense is not responsible for the use or misuse of the information contained herein.

The Department of Defense is committed to the protection of the information it contains. This report contains information of a confidential nature and is to be handled as such. It is the property of the Department of Defense and is not to be distributed outside the Department without prior approval. The information contained herein is for the use of the Department of Defense only and is not to be released to the public. The Department of Defense is not responsible for the use or misuse of the information contained herein.

The Department of Defense is committed to the protection of the information it contains. This report contains information of a confidential nature and is to be handled as such. It is the property of the Department of Defense and is not to be distributed outside the Department without prior approval. The information contained herein is for the use of the Department of Defense only and is not to be released to the public. The Department of Defense is not responsible for the use or misuse of the information contained herein.

The Department of Defense is committed to the protection of the information it contains. This report contains information of a confidential nature and is to be handled as such. It is the property of the Department of Defense and is not to be distributed outside the Department without prior approval. The information contained herein is for the use of the Department of Defense only and is not to be released to the public. The Department of Defense is not responsible for the use or misuse of the information contained herein.

The Department of Defense is committed to the protection of the information it contains. This report contains information of a confidential nature and is to be handled as such. It is the property of the Department of Defense and is not to be distributed outside the Department without prior approval. The information contained herein is for the use of the Department of Defense only and is not to be released to the public. The Department of Defense is not responsible for the use or misuse of the information contained herein.

- the CEO and the management team need to be granted sufficient support and decision-making scope to exercise fully the range of managerial responsibilities for which they should be held accountable. They should be encouraged to adopt a strategic management orientation for HECFI that reaches down to involve all employees responsible for the quality of services HECFI delivers, to be competitive and effective in the industries in which they operate;
- efficiencies in common support services that should have occurred when the HECFI corporation were set up are just beginning to be realized. The decision to change the committees of the Board away from a facility-based focus to a corporate function focus has speeded up the corporate integration needed to realize those efficiencies;
- both the internal and public perceptions of HECFI as an organization in control of its agenda and destiny have been damaged by the degree and tone of media attention over the last year. While the impression may be that of an organization in chaos, there are many HECFI operations that are being performed thoughtfully and well. There are also many areas where improvements can be made;
- there are few opportunities for HECFI to cut costs under the existing objectives and arrangements, but there are opportunities to increase revenues; and
- a concerted effort is needed to restore the confidence of the public, HECFI staff, many members of the Board of Directors and some members of Council in HECFI's governance and management.

Successful renewal and rebuilding of organizational confidence can be achieved if the support and willingness of the community, the City of Hamilton, and the HECFI Board of Directors and staff is present to effect positive change in public perceptions and in decision-making effectiveness. While the renewal is not likely to happen overnight, much can be done over the next year to establish the right tone for change and begin to implement many of the recommendations of this report. Actions to begin to respond to several of the recommendations can and should be implemented almost immediately.

Many HECFI and City of Hamilton elected and appointed representatives and staff have provided valuable information and time to the audit team during this study. We thank them for their contribution.

I. INTRODUCTION

This comprehensive audit involved a thorough review of the Hamilton Entertainment and Convention Facilities Incorporated (HECFI). The purpose of the audit was to review current operations and to present an evaluation and recommendations regarding the effectiveness of:

- the roles of the CEO and other senior managers;
- the reporting relationships between the HECFI Board and City Council;
- the composition of the Board, and the role of the Board and its Committees and Chairman; and
- HECFI's administrative policies and procedures.

The audit work plan, carried out during the months of July to December of 1990, is presented as Appendix I. During this process, the audit team interviewed the Mayor of the City of Hamilton, all HECFI Board members, three Aldermen who do not sit on the Board, one ex-Board member, thirty-two HECFI employees and twelve City staff. (Appendix II provides a listing by name.) In addition, documents were reviewed and selective interviews were held with representatives of ten other Canadian cultural, entertainment, and convention facilities, listed in Appendix III.

II. THE CONTEXT OF THIS COMPREHENSIVE AUDIT

A. THE INITIATIVE FOR THIS AUDIT

This comprehensive audit was authorized by City Council early in 1990, as part of a cycle of similar audits to be performed on all City operations. A number of reasons for selecting HECFI for this audit are:

- Council and the Board wished to ensure that taxpayer value was being received for the approximately \$2.5 million of direct operating subsidy provided annually to HECFI;
- changes in senior management had occurred, with a new Chief Executive Officer hired in late 1989, and a senior management vacancy at the Hamilton Convention Centre;
- five years after HECFI was formed by amalgamating three facilities, a number of the expected organizational efficiencies had not been achieved; and
- allegations of poor and deteriorating organizational performance and employee morale raised some questions about the operations of the organization.

The audit team applied an analytical framework (see Appendix IV) developed by the Canadian Comprehensive Auditing Foundation to collect audit observations and derive conclusions and recommendations.

B. AN OVERVIEW OF HECFI

1. The Origins of HECFI:

A Private Act of the Province of Ontario Legislature - Bill Pr34, as amended by Bill Pr67 - established HECFI as a corporate organization in 1985. Two existing municipally-supported facilities - the Hamilton Convention Centre (HCC) and Hamilton Place (HP) - were amalgamated with the newly opened Victor K. Copps Trade

Centre/Arena (Copps). Among other provisions, the legislation sets out:

- arrangements for dissolution of two predecessor corporations - The Hamilton Performing Arts Corporation, Inc. and The Hamilton Place Convention Centre, Inc. - and for transition of their existing staff and collective agreements to HECFI;
- property management responsibilities for the three facilities;
- the composition, size, committees, and required practices of the Board; and
- specific measures for HECFI accountability to City of Hamilton Council.

The HCC and HP staff who were offered employment at HECFI provided for continuity of industry knowledge and some operating practices.

2. Amalgamation Occurred Slowly:

Bill Pr34 did not specify the type of organizational structure to be implemented by HECFI. However, the legislation did stipulate that three facility committees be maintained with direct reporting powers to the Board and to City Council. This created an internal pull towards maintaining the previous facility focus, discouraged achievement of a corporate outlook throughout the organization, and slowed down acceptance of corporate integration. Considerable fragmentation and duplication of tasks was evident during the audit, with pockets of resistance to change lingering among staff whose seniority extended back to pre-HECFI days.

3. The Organization in 1990

In 1990, renewed efforts were made to create a structure that reflected a corporate versus a facility orientation. The first step was to create three new committees of the Board with responsibility for specific functions such as finance and marketing. This was followed by centralization of all sales, marketing services, and events planning functions into the Marketing and Sales Department. Exhibit 2.1 reflects the organizational structure in place when this audit began in July 1990.

Excluding the employees of the Central Utilities Plant, who provide extensive services to non-HECFI facilities, HECFI employed 82 full-time and a large pool of part-time employees in July 1990. The annual budget in 1990 of \$10.5 million, summarized in Appendix V, shows an operating deficit of \$2.6 million, an amount subsidized by the City of Hamilton. Since HECFI was formed, the annual operating subsidy has fluctuated in the \$2.4 - \$2.6 million range.

C. A REVIEW OF INDUSTRY FACTORS RELEVANT TO HECFI

All three HECFI facilities operate within the service sector, in industries where many consumer expenditures are discretionary. Exhibit 2.2 presents three of the main requirements that all of the HECFI facilities need to meet to be effective. The impact of these factors is reviewed below.

1. Understanding the Expectations of Two Key User Groups:

Services are provided to two separate user-groups – clients and patrons. Clients select HECFI facilities to "rent" space as the site for their events; they can be considered the direct customers.

Patrons attend the events and are equally important to business success; HECFI management hopes that they will return in future

EXHIBIT 2.1

H.E.C.F.I. ORGANIZATION STRUCTURE AS OF JULY 1990

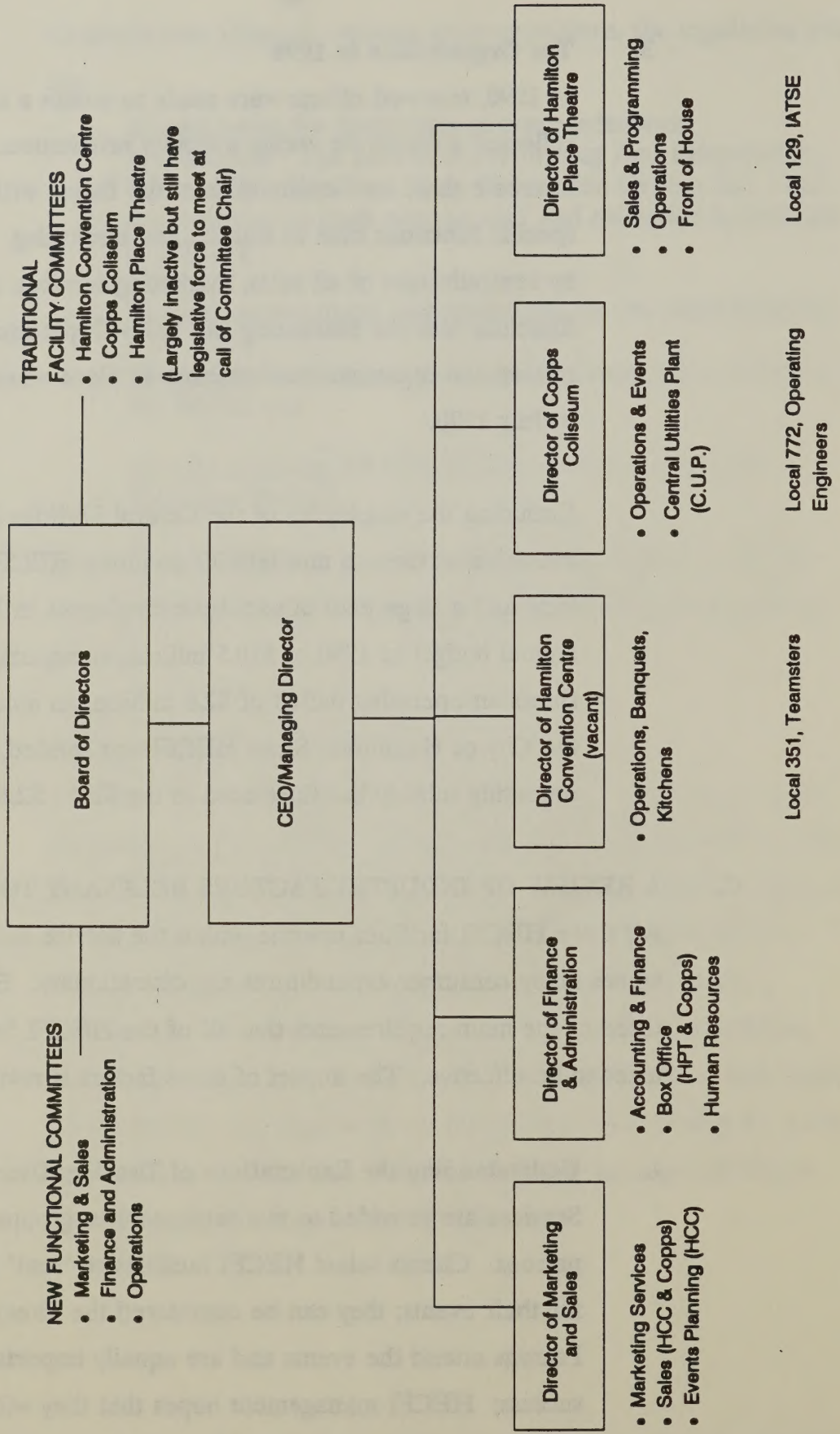
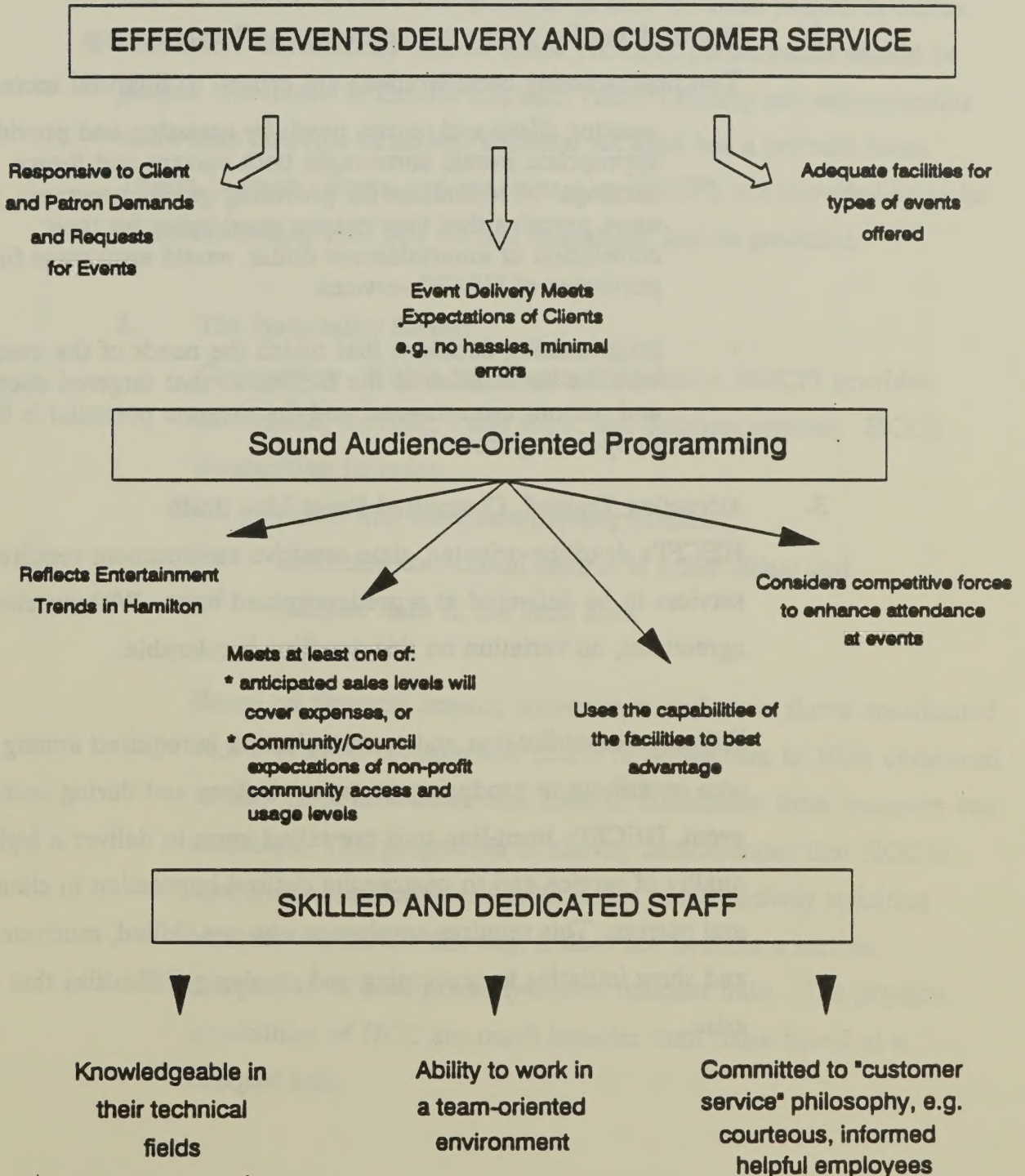


EXHIBIT 2.2

KEY OPERATIONAL SUCCESS FACTORS



as repeat patrons or possible clients. Each group has slightly different objectives and potentially contradictory expectations. To be effective in their respective roles, both HECFI management and the Board need to understand those expectations.

2. Paying Attention to the Attractiveness of Programming:

Two programming considerations are central to financial success:

- meeting client and patron needs by assessing and providing appropriate events encourages both current and future earnings. A reputation for providing quality programs, where users perceive that they receive good value for their convention or entertainment dollar, would encourage future purchases of HECFI services.
- programming decisions that match the needs of the event with the capabilities of the facility, so that targeted clients and patrons are attracted and the revenue potential is linked to operating costs.

3. Attracting Trained, Committed Front Line Staff:

HECFT's deadline-oriented, time sensitive environment requires services to be delivered at a predetermined hour. Without client agreement, no variation on this deadline is tolerable.

Extensive co-ordination and communication is required among all who contribute to producing an event. Before and during each event, HECFT's front-line staff are relied upon to deliver a high quality of service and to portray the desired impression to clients and patrons. This requires employees who are skilled, motivated, and show initiative in preventing and resolving difficulties that may arise.

D. SPECIFIC INDUSTRY SECTORS

HECFT's three facilities face some unique demands due to the competitive factors of their primary industry sectors. These sectors are the hospitality, entertainment, and arena services industries. It is important to understand the characteristics, risks and demands of each of those sectors to define reasonable expectations against which HECFT's performance should be judged. As shown in Exhibit 2.3, each HECFI facility can accommodate more than one type of service delivery, yet each has a primary focus. Trends in these sectors, and the impact on HECFI, are provided to assist in understanding HECFT's current operations and its potential.

1. The Hospitality Sector:

Competition: Within the hospitality industry, HECFI provides convention, meeting, trade show, and banquet services. HCC's competition includes:

- hotels with adequate meeting facilities;
- dedicated convention centres in other cities; and
- banquet halls in the local area.

Based on financial impact, conventions and trade shows contributed 41.3% of HCC revenue and 55.6% of attendance in 1989, compared to only 7.2% of revenue and 3.3% of attendance from banquets and weddings. This proportion of activity demonstrates that HCC is operating consistently within its policy of not actively soliciting banquet clients. In this way, it does not become a serious competitor to local privately-owned banquet halls. The physical capabilities of HCC are much broader than those found at a banquet hall.

EXHIBIT 2.3

INDUSTRY SECTORS SERVICED BY THE HECFI FACILITIES

	Copps Coliseum	Hamilton Convention Centre	Hamilton Place
Hospitality*	•	▪	•
Arena Events	▪		
Performing Arts (theatre, dance, orchestra)			▪
Popular Musical Entertainment	▪	•	▪
▪ primary industry sector		• can accommodate to some degree	

* includes conventions, meetings, receptions, trade shows

Site Selection Criteria: Conventions can be attracted from international, national, provincial, or regional markets. Space rentals for meetings tend to be requested from a smaller, more regional market area. The short duration of these events is unlikely to support the time and expense of extensive travel.

When selecting and purchasing convention and meeting space, clients consider the following key factors:

FACTORS AFFECTING CONVENTION/MEETING SITE SELECTION

External Factors:

MET BY HCC?

Adequate local hotel space for large numbers of out-of-town delegates **NO**

A "tourist destination" location **NO**

Internally Influenced Factors:

Well-designed meeting facilities with trade show capabilities **YES**

Well-prepared and presented food and beverage services **YES**

A positive reputation and referrals from previous users **YES**

HCC succeeds on all three internally influenced factors, yet is limited by the external factors, which tend to play a larger role in national and international conventions. While Hamilton's attractiveness increased with the building of the Sheraton Hotel in the mid-1980's, there is still insufficient local hotel space for very large conventions, a fact recognized by HCC staff. Similarly, the national and international profile of Hamilton as a "tourist location" is not as well-developed as some other Ontario locations, such as Toronto and Ottawa. This places HCC in a "second-tier" convention

category, where it is competing with popular regional destinations such as Halifax, St. John's and Victoria, all of which have good facilities and more hotel space than Hamilton. International and, to some extent, national conventions are more difficult to attract as a result.

Significant Trends: As travel costs increase and the economy suffers, convention and meeting attendance tends to decline. Meetings may be cancelled, conventions may be scaled down, and sponsors may become more cost conscious in site selection. Provincial and regional conferences are likely to be more attractive, to reduce air travel costs. Increased competition can be expected from both "first tier" convention centres and from hotels, as they turn their efforts to provincial and regional markets rather than the international markets.

A second important trend has been an increased demand for trade shows as a component of conventions. This provides added content and increased value to the delegates, provides a means for conference organizers to recoup some costs through trade booth rentals, and provides additional rental revenue for facility owners. Although HCC has some trade show space, the benefits of accessing the larger Copps space is likely to increase. Co-ordination with the Copps reservation system will require close attention in the future, to allow effective marketing of this capability.

Finally, HCC's current position as the only dedicated convention centre facility between Toronto and Windsor will change in the next twelve to eighteen months. Plans have been announced to build a facility in London by 1992. Also, an expanded Windsor convention

centre is due to re-open in 1991, increasing the options available to HCC's present regional and provincial clients.

All of these trends imply that maintaining HCC's market share will require:

- aggressive marketing tactics to protect its primarily regional and provincial market;
- intense contact with conference organizers who have booked space for the future, to encourage them to keep their tentative commitments alive; and
- competitive prices, close control over expenses, and actions which will protect and enhance the quality of service HECFI provides.

Economic Benefits: While the competition in this industry may be increasing, the benefits to the community can be significant. The International Association of Conventions and Visitors Bureau formula is a widely used estimate to measure economic impact on a community. In 1989, the Bureau estimated the average conference delegate spent \$866¹ during an average 3.5 day conference, on hotel, meal, recreation and other purchases.

Generating this economic impact is often the main reason for developing and supporting a convention centre. This impact is created both by attracting out-of-town patrons who are net purchasers of goods and services and through local employment creation. Combining this economic impact objective with a goal for profitable operations is a difficult task for most convention centres. An exception is the Metro Toronto Convention Centre, which has

¹ SOURCE: Meetings & Convention Planner, The Financial Post, Winter 1990, p. 3.

shown an operating profit since 1988, its third year of operation. This success is attributed to sound operations, to MTCC's highly-accessible location and good facilities in Toronto, and to a hands off governing body that does not get involved in day-to-day management. In general, there is an understanding in municipalities that fund convention centres, that the ensuing economic benefits justify an ongoing level of subsidy to maintain effective competitive service levels.

2. The Entertainment Sector:

Copps Coliseum and Hamilton Place both operate in the entertainment industry, attracting musical concerts, family shows, "Broadway" or "Vegas" acts, and other forms of performing arts. Four main trends and characteristics affect these facilities.

Competition for the entertainment dollar is increasing:

The economic recession has already caused a decrease in attendance levels and the number of acts who are touring Canada. Competition for a patron's entertainment dollar is expected to increase, not only from other venues but from lifestyle and demographic changes and from other forms of entertainment, such as movies or home videos. Careful events programming, competitive pricing, and attention to customer service are all necessary to meet the challenge of increased competition.

Promoters look for the most cost-effective options:

The majority of entertainment acts are booked through promoters who aim to maximize their revenues and minimize their costs. HECFT's business orientation should be similar

to the promoters. HECFI staff need to ensure that this approach does not harm their service standards, as dissatisfied patrons tend to hold the facility responsible for problems (e.g. a promoter may want all possible seats to be sold, while the facility may prefer to delete seats with poor sight-lines caused by the performer's sound equipment). In HECFI's case, a promoter's philosophy could also reduce the pool of acts available to Hamilton, as it may be more cost-effective for the act to perform for two nights in Toronto, rather than one night in each city. These conditions emphasize the negotiating position and the power of a positive working relationship between promoters and the facility's management and staff.

Predicting the availability of entertainment acts can be difficult:

Some acts tour on an annual basis (i.e. family shows such as Disney on Ice), yet many concerts, musicals, and "Broadway" shows have less predictable schedules. A pre-established schedule of community group commitments at Hamilton Place, for example, can preclude booking some events with greater profit potential. The same situation is faced by Copps Coliseum, when a tenant such as the Dukes junior hockey team has entitlement to game times on scheduled dates.

In the volatile entertainment industry, past activity tends to be an inaccurate predictor of current availability. This emphasizes the need for HECFI sales people to be well-connected with the various promoters in the industry, so that HECFI can quickly respond when new tours are announced,

and to be knowledgeable about the type of business dealings they can expect.

The facilities should be matched with their expected markets:

HECFI is well-positioned to meet the entertainment needs of a wide spectrum of the community. The Copps arena-type setting is suitable for shows needing fast set up and tear down of equipment, a setting with large seating capacities to cover high costs (i.e. required for a circus act), or a seating arrangement surrounding the stage. The Hamilton Place theatre-style responds best to multiple-performance events, acts needing acoustical perfection or smaller audiences, or markets where comfortable, fixed seating is preferred. This flexibility can be used to advantage in responding to the forms of entertainment acts which may be available.

These four factors emphasize the need for HECFI to:

- develop and maintain positive relationships with a number of promoters in various entertainment sectors;
- be flexible and responsive to anticipate and react to entertainment opportunities;
- assess the entertainment interests and preferences of the local market; and
- develop a "risk" management position before committing to higher risk engagements.

3. The Arena Sector:

Beyond the arena-based entertainment acts noted above, the Copps Coliseum can accommodate a wide variety of events, including:

- sports, with ice sports taking precedence in the winter;

- consumer and trade shows; and
- large-scale rallies and competitions.

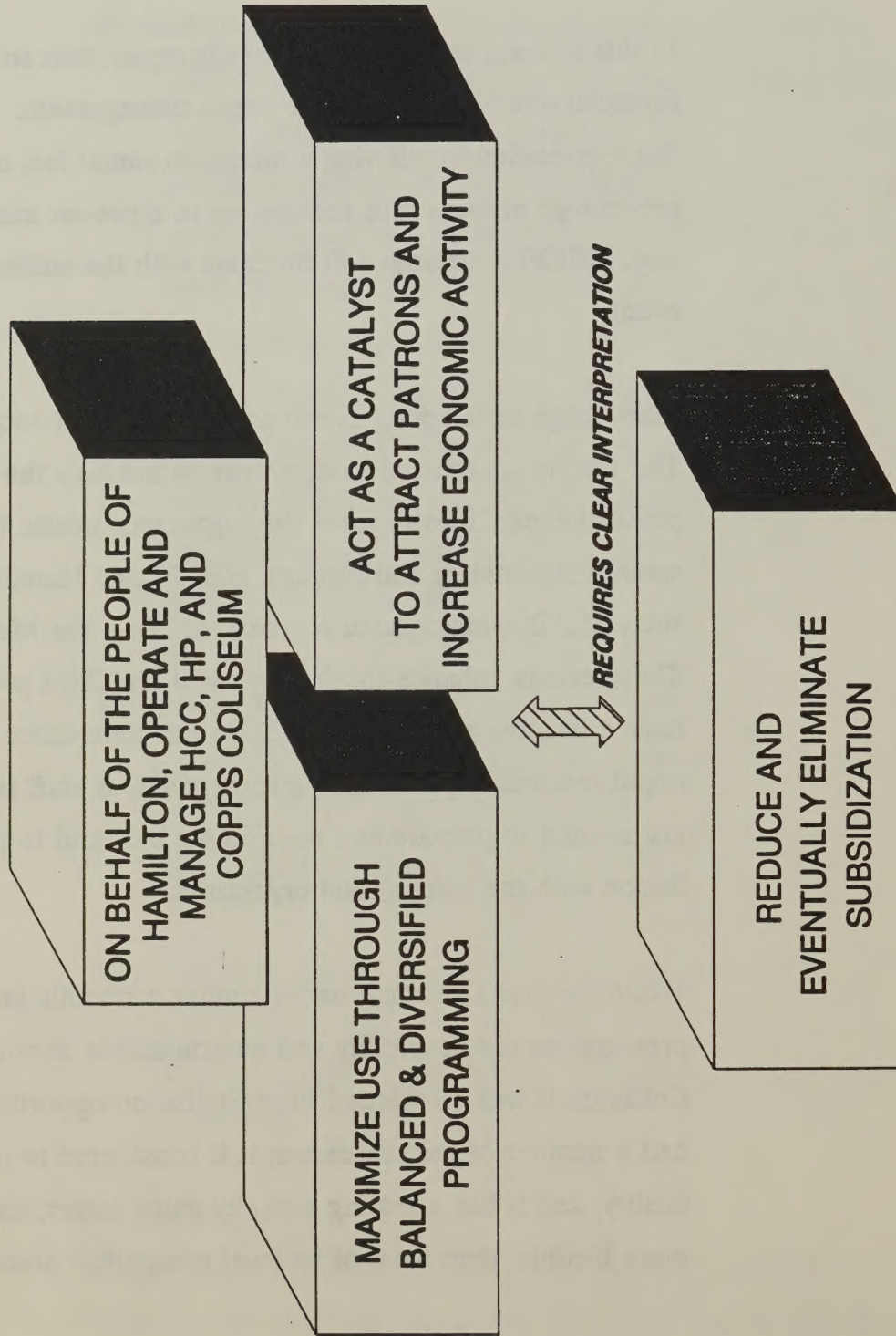
In this sector, promoters increasingly expect that some of the financial risk be shared by the arena management. HECFI has met this expectation by offering a minimum rental fee, combined with a percentage of box office receipts up to a pre-set maximum. In this way, HECFI's earnings will fluctuate with the audience draw of an event.

Many large scale sports events are won through competitive bidding. The facility is expected to demonstrate not only the staffing and physical capabilities to meet the organizers' needs, but also community interest and support. HECFI and Hamilton have been successful in winning such competitions (e.g. the Memorial Cup). These events enhance the facility's and the City's profile and can have a positive economic benefit on the community. The organizational impact must be recognized, as staff time and skills are needed to prepare and co-ordinate bids and to provide ongoing liaison with the competition organizers.

While the arena sector is under similar economic and marketing pressures as the hospitality and entertainment sectors, Copps Coliseum is well-positioned to capitalize on opportunities. It has had a number of past successes; it is considered to be a first-class facility; and it has a seating capacity much larger, and therefore more flexible, than most of its local competitor arenas.

EXHIBIT 3.1

H.E.C.F.I. MISSION STATEMENT



The above to be achieved while pursuing excellence of management and service

III. MANAGEMENT DIRECTION AND ACHIEVEMENT OF INTENDED RESULTS

This section discusses and positions issues associated with:

- HECFI's mission statement and clarity;
- the role of the Board of Directors and its respective committees;
- HECFI accountability to City of Hamilton Council;
- re-orientation to a longer-term, strategic management focus;
- the risk factors and potential risk choices that HECFI has adopted;
- budgeting processes; and
- organizational structure.

A. HECFI MISSION AND OBJECTIVES

The original mission statement for HECFI, containing three objectives, was modified in 1988 to include a fourth one: ".. by effective and efficient management, to reduce and eventually eliminate the subsidy provided by the City of Hamilton." The mission statement also indicates that the objectives are to be achieved "while pursuing excellence of management and service." These objectives, summarized in Exhibit 3.1, provide the broad framework of values guiding HECFI management and operations.

In addition to the above mission statement, Bill Pr34 establishing HECFI sets out six "objects" or objectives of the new corporation. The first six of those objects and much of the fourth place an explicit emphasis on providing for aspects of the performing arts.

1. Interpreting the Mission Statement For HECFI Decision-Making

There are few references to guide City Council, citizens, and HECFI management and staff in interpreting HECFI's broad objectives.

The annual budget, accompanying business plan, and isolated annual plans established in selected Departments, e.g the Strategic Plan for Marketing and Sales, provide a short-term interpretation of the

mission statement. The limited interpretation of some very broad principles articulated for HECFI represents a fundamental issue that needs resolution. The consequences of the problems and misunderstandings that can arise from a lack of consensus on mission and objectives are reflected at every level of decision-making and operations. Those consequences are dealt with throughout this report and are explained in more detail in this chapter.

2. Broad Perspectives of Council and Board Members

The majority of Aldermen and Board members interviewed by the audit team expressed support for the umbrella corporate structure of HECFI. Where reservations were expressed, they tended to focus on the "fit" of Hamilton Place within HECFI. By far the majority of Councillors and Board members also expressed concern about a drift in direction for HECFI, inadequate information about the longer term impact of decisions on City coffers, a lack of trust in how the organization is making policy decisions, and the effects of those decisions on operations and viability. The concerns tended to coalesce in the following areas:

- the 1988 change to HECFI's mission statement has introduced contradictory and perhaps irreconcilable expectations for the organization. It was pointed out that other municipally-supported organizations such as the Library Board and the Hamilton Parking Authority are subsidized considerably more than HECFI, without the attendant expectation to reduce and eliminate City contributions;
- the emphasis being placed on operational cost reductions - while admirable and perhaps necessary - lacks focus and industry-specific context;
- the perceived hostility of some members of the Board toward the programs, operations, community user groups and staff of Hamilton Place acts to the detriment of that facility's

sustainability. They fear that Hamilton Place is not receiving the constructive attention that it needs from HECFI decision-makers. Both Board and Council members believe that a disproportionate emphasis is being placed instead on sports activities and concerts designed to strengthen Copps Coliseum's activity level and operating position; and

- the potential of increased effectiveness visualized for HECFI at its inception as a corporate organization has not yet been realized and could be strengthened.

A recurring discussion point throughout the interviews involved the philosophical premise on which HECFI facilities had been constructed by the City of Hamilton. Most questioned whether the actions and decisions of the Board, or at least or some members of the Board, are in conflict with the City's rationale for building and financially supporting the three facilities. This illustrates that there is a significant lack of consensus among elected and appointed decision-makers about the higher-level objectives and governing priorities for HECFI. Developing a workable strategic orientation for HECFI is difficult, if not impossible, without that consensus.

B. THE ROLE OF THE BOARD OF DIRECTORS, ITS COMMITTEES AND CHAIRMAN

The legislation establishing HECFI set out provisions for:

- a Board of Directors, charged with managing, supervising and conducting the affairs of the corporation in accord with its purposes and objects;
- Board composition, quorum requirements, Director voting weight, Director removal and reappointment, annual election of a Chairman, minimum meeting frequency each year, notice of meetings, and corporate record-keeping practices;
- establishment of three Board-appointed committees of not less than three members, with one committee for each of the three facilities, with power to report at any time to the City Clerk and Council; and

operations and of the competitive strengths and disadvantages of its operations in each service area.

1. Perspectives on the Role of the Chairman

While acknowledging the energy level of the Chairman of the HECFI Board and the strength of some of his ideas, citizen appointees expressed considerable discontent about the way in which Board meetings are run. They have indicated their uneasiness that:

- Board and Committee meetings sometimes lack a clear focus, respect for due process, sufficient opportunities for staff input below the CEO level, and impartiality from the Chairman;
- they are subjected to periodic intimidation tactics, including reminders that their re-appointments to the Board could be in jeopardy if they do not go along with the wishes of Council representatives on the Board. They feel that the Chairman should be intervening to discourage and prevent these occurrences;
- HECFI business and policy proceedings are being contaminated with the residue of other City of Hamilton Council decisions and Aldermanic working relationships. This is reflected in the dynamics of HECFI Board meetings, and in non-acceptance by some Aldermen of HECFI Board decisions after votes are cast. Some members feel that the decisions being made are not always in the best interests of HECFI; and
- the Chairman is interpreting Board responsibilities for "managing, supervising and conducting the affairs of the corporation" very literally, to the point where he is attempting to manage HECFI personally and is second-guessing the CEO and other employees on operational matters.

These concerns suggest an evident need to resolve and clarify the role, expectations, pre-qualifications and management responsibilities of HECFT's Chairman, for both the conduct of Board meetings and involvement in HECFT's day-to-day management decisions.

Other organizations have addressed a number of the issues identified above by establishing qualifications for the Chairman of the Board. Common pre-requisites for Chairmanship include:

- prior service as a Director of the organization or, more stringently, as Chairman of a Board Committee. The rationale for such pre-requisites is that they provide valuable learning time in both the business of the organization and the "how-to" of positive Board chairmanship;
- formal training in the roles and responsibilities of chairing a Board of Directors.

The concerns also suggest a need for the HECFI Board to decide where it should focus its efforts - as a directional policy-setting body, as a promoter and positive advocate of the organization and its objectives, or as a management committee. Currently, members of the Board are acting in all three areas except fund-raising. The management committee role is the most difficult one for the Board to carry out successfully without specific industry experience. These three role choices and their characteristics and requirements are shown in Exhibit 3.2.

RECOMMENDATION

- 3.2 Establish Director service requirements or provide training for all candidates for HECFI Chairmanship.**

EXHIBIT 3.2**ROLE OPTIONS FOR HECFI BOARD OF DIRECTORS**

Potential Roles	1. POLICY SETTERS	2. PROMOTERS/ MARKETERS/ FUND-RAISERS	3. MANAGEMENT COMMITTEE
Focus	Strategic vision,. Corporate policy	Entrepreneurial, Cheerleader.	Highly directional, Detail-oriented.
Primary Task	Establish corporate policy as framework for staff to interpret.	Sell HECFI and its programs and capabilities to potential clients and patrons.	Provide detailed directions on "what" and "how-tos" of management and operations.
Necessary Requirements	• Experience with other Boards or policy-making bodies. • Willingness to invest time to learn major aspects of the industry(s). • Concern with well-being of the organization. • Strength in and support from management.	• Belief in the merits of the organization and a willingness to "sell" it. • Willingness to invest time to learn major aspects of the industry(s). • Willingness to invest time to promote the organization credibly. • Undertake corporate fund-raising activities • Strength in and support from the organization's management.	• Industry expertise among Board members, or • Young or immature organization, or • Rather chaotic organizational conditions, or • Lack of faith in management/staff capabilities; or • Willingness of managers to comply with Board intervention, or • All of the above
Time Horizon	Medium to Long-term.	Could be short, medium or long-term, depending on methods and focus of promotional activities of Board.	Usually short-term

Make training available to the incumbent Chairman, to exercise at his discretion.

3.3 Hold a meeting of the Board specifically to discuss what its focus should be among the choices of setting policy directions, promoting HECFI, or acting as a management committee.

3. The Board Committee Structure

The committee structure of the Board now consists of six committees - one for each of the three facilities and one for each of Marketing and Sales, Finance and Administration, and Operations. The three facility committees are required by legislation but have been superseded by a changed emphasis from a facility focus to a corporate function focus. The three facility are largely inactive. In retrospect, HECFI's transition to an integrated corporate unit has effectively been delayed by setting up the facility committees. Their existence appears to have encouraged continuation of old alliances and fragmentation of operations such as marketing where economies could have been introduced. A legislative proposal is underway to eliminate the committees. In the meantime, they can continue to meet at the call of the committee chair.

While there has been some resistance to the changed committee structure, it is a far more logical one for a corporate structure attempting to achieve efficiencies in common support services and to maximize effective programming and sales for the three facilities. The objectives

set out for the three committees cover the broad range of decision-making areas of relevance. There was little commonality found in the Board committee structure of comparator organizations we reviewed. HECFI's revised structure covers off the most frequently found committee responsibilities. The primary exception is that most organizations have an Executive Committee, comprised of the Chairman of the Board and Chairman of each Board Committee.

C. ACCOUNTABILITY OF HECFI TO CITY COUNCIL

1. Accountability Mechanisms

The legislation establishing HECFI sets out provisions for accountability to City of Hamilton Council. These mechanisms include:

- Council appointment of the Board of Directors. The appointments are for a three-year term;
- City approval of an annual budget for HECFI and of any indebtedness incurred beyond the approved budget, monthly filing of HECFI's financial statements with the City Treasurer in the format requested by the Treasurer, annual audit by the City's auditor, submission of an annual report to Council containing audited financial statements for the year, and other information to Council at Council's request on any matter relating to the purpose and objects of the corporation; and
- City entitlement to any profits realized by the corporation - with the City determining what constitutes profits - and City responsibility for any deficit incurred by HECFI.
- HECFI is currently providing the submissions to the City that are required.

2. Viewpoints of Council Members

A number of Council members, including some sitting on the HECFI Board, expressed concerns similar to those of citizen Board members about Board decision-making processes. A majority clearly lack confidence that the decisions been made for HECFI are in the best interests of either the corporation or the City's investment in the corporation. The key points of concern are that:

- HECFI is losing focus and credibility as a public institution, given the degree and tone of recent media coverage;
- the manner in which HECFI Board and Committee meetings are conducted and decisions are made has had a detrimental effect on the corporation. The concern is that it will become increasingly difficult to recruit and retain qualified citizens and City Aldermen willing to lend their time and expertise as Directors of HECFI;
- for non-Board Aldermen, a sense of loss of control over the decisions made at HECFI and an uneasiness that Board decisions are altering the expressed intentions of the City of Hamilton when it invested in the three facilities. There is particular concern that the special status originally accorded Hamilton Place is being ignored.

Some points that Aldermen may wish to consider with respect to their concerns are:

- whether they visualize HECFI as an organization that could or should be regarded just like a municipal Department, with the same methods and means of accountability to Council each month; and
- what measures will be needed to restore their confidence that the tax dollars allocated to support HECFI are being spent wisely.

Analysis and recommendations related to improved reporting to Council on both programming and financial results for HECFI are provided in section VIII, Reporting and Monitoring.

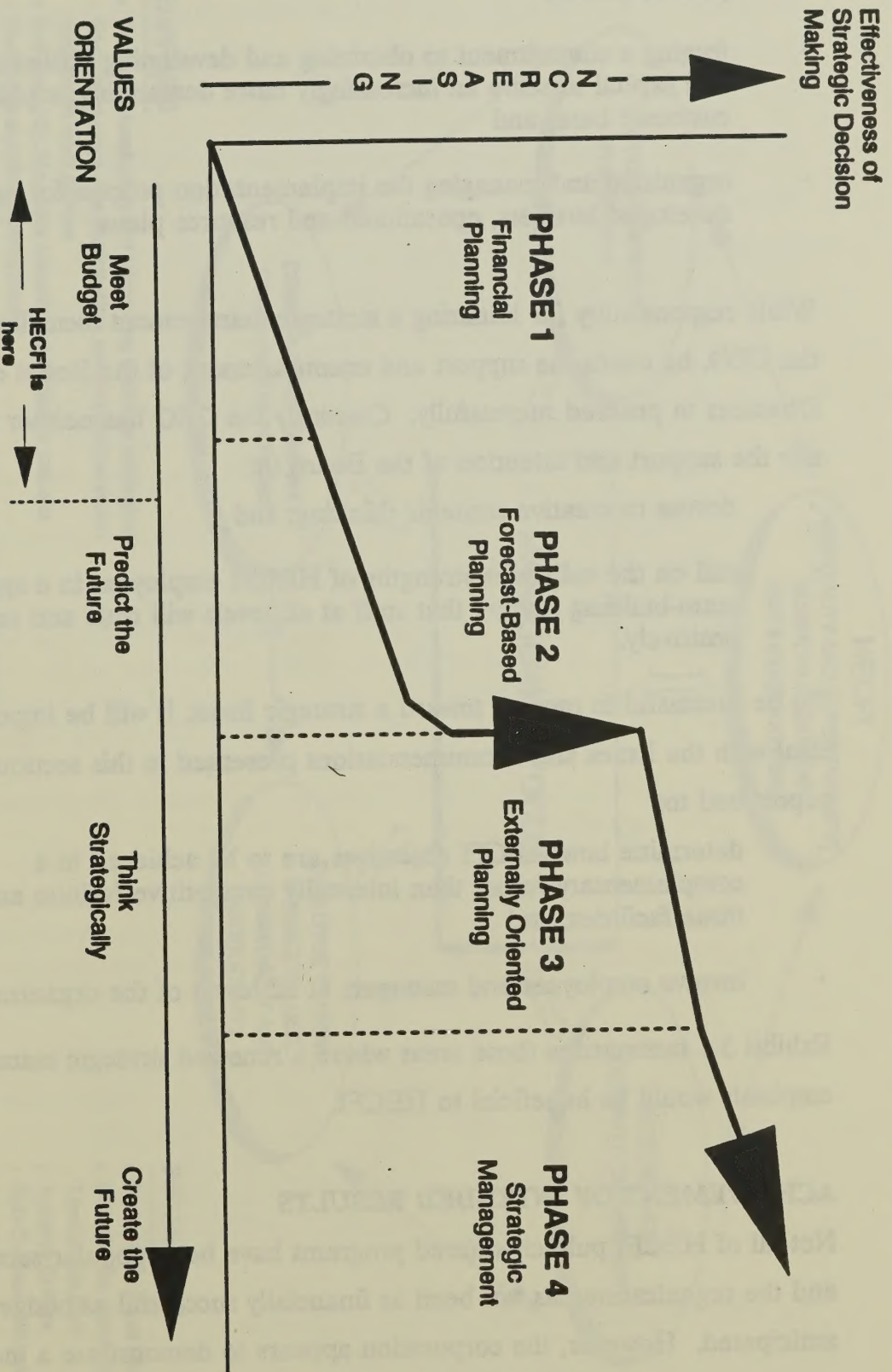
D. STRATEGIC MANAGEMENT

The history of HECFI is one that has encouraged a short-term management orientation. Exhibit 3.3 presents our analysis of where HECFI fits on a continuum of stages moving progressively toward strategic management. Given the distance yet to cover, strategic management processes are unlikely to be put in place overnight. A more strategically focused multi-year multi-faceted management approach is needed, to adequately come to grips with the critical factors needed to be a competitive success within the entertainment and hospitality industries. Among those critical success factors are:

- a more specific interpretation of what business or service areas HECFI is in and - just as important - what it is not in;
- accepting the inherent risks and discretionary nature of consumer expenditures in the hospitality and entertainment industries, with explicit procedures in place both to identify and contain the risks and to introduce new service areas with an accepted element of risk;
- leadership and commitment to be a strong competitor within a realistically established market niche where Hamilton-based facilities either have a competitive advantage or can overcome the disadvantage of competing on an uneven playing field. This means making a commitment to adopt strategic positioning by choice and deliberative actions, rather than by default;
- managing by vision, rather than management by rigid controls and crisis containment;
- recognizing the volatility of the environment by developing the capacity for organizational responsiveness and flexibility, in order to update strategic priorities;
- communicating a commitment to deliver value to customers and to the community at large;
- developing sensitivity to changes in economic, demographic, business, political, and social conditions, and an understanding of the competitive and factors influencing consumer choices about

EXHIBIT 3.3

EVOLUTION TOWARDS STRATEGIC MANAGEMENT



where they go and how they spend discretionary income in a given year or period;

- forging a commitment to obtaining and developing skilled resources and capital to serve an increasingly more demanding, sophisticated customer base; and
- organizing and managing the implementation process for carefully developed business, operational and resource plans.

While responsibility for initiating a strategic management focus lies with the CEO, he needs the support and encouragement of the Board of Directors to proceed successfully. Currently the CEO has neither the time nor the support and attention of the Board to:

- devote to creative strategic thinking; and
- call on the collective strengths of HECFI employees in a systematic, team-building fashion that staff at all levels will trust and respond to positively.

To be successful in moving toward a strategic focus, it will be important to deal with the issues and recommendations presented in this section of the report and to:

- determine how HECFI objectives are to be achieved in a complementary rather than internally competitive fashion among the three facilities; and
- involve employees and managers at all levels of the organization.

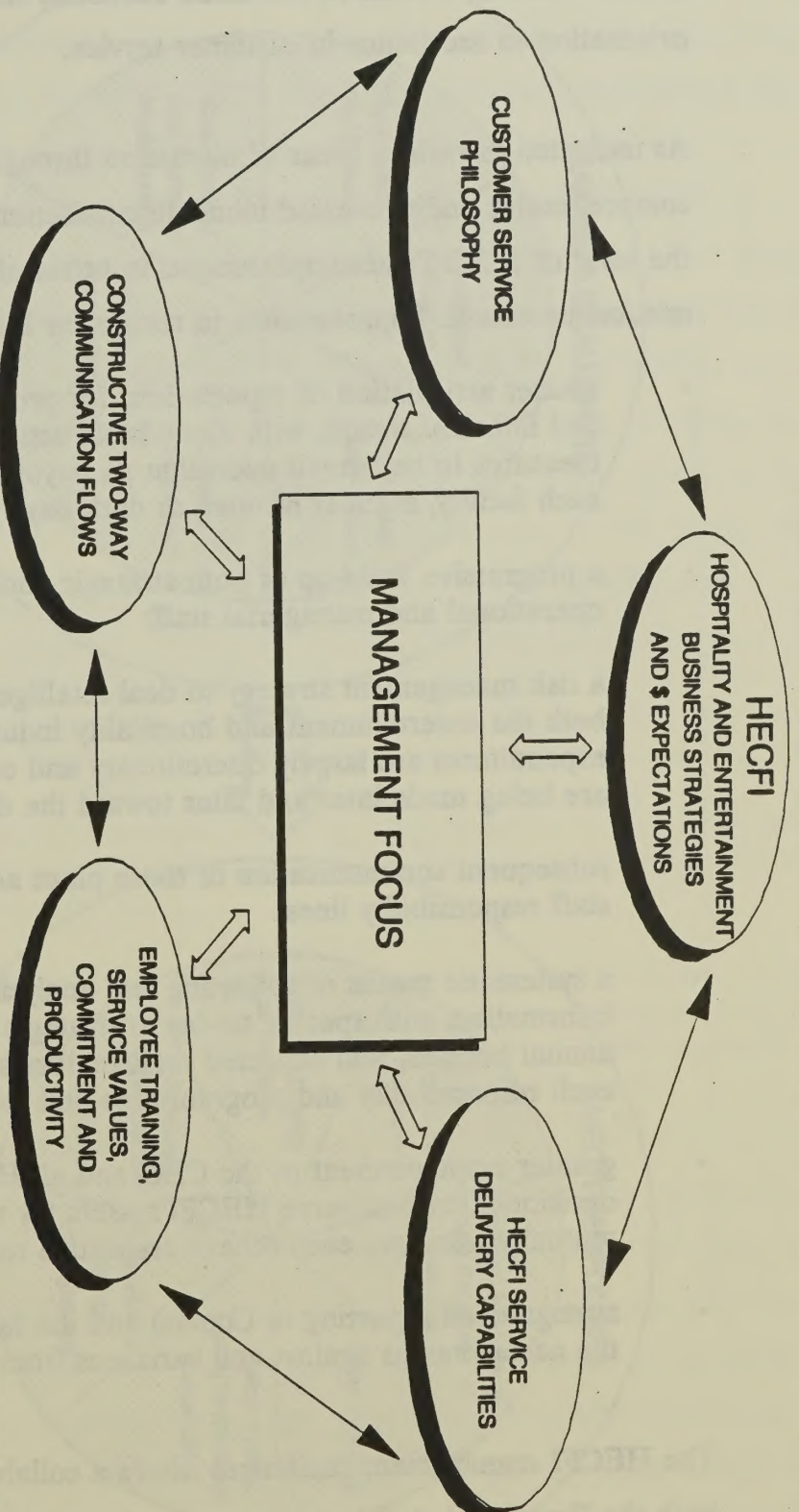
Exhibit 3.4 summarizes those areas where a renewed strategic management emphasis would be beneficial to HECFI.

E. ACHIEVEMENT OF INTENDED RESULTS

Not all of HECFI publicly-offered programs have been popular successes and the organization has not been as financially successful as budgets have anticipated. However, the corporation appears to demonstrate a measure

EXHIBIT 3.4

KEY COMPONENTS OF A RENEWED MANAGEMENT ORIENTATION FOR HECFI



EMPHASIS

- Focus on developing and reinforcing business strategies
- Encourage employee participation, communication within and across work groups
- Reinforce HECFI service commitment to clients, patrons
- Recognize significant performance
- Establish closer linkage between costs, service pricing, business conditions, industry standards, and provision of "below cost" community access

INFLUENCES

- Board Policy and Direction
- CEO/Senior Management Leadership Style
- Industry Culture
- Sub-Cultures within HECFI Work Units

of success when judged against broad criteria of program diversity, audience reach, downtown Hamilton economic stimulus, and frontline staff orientation to excellence in customer service.

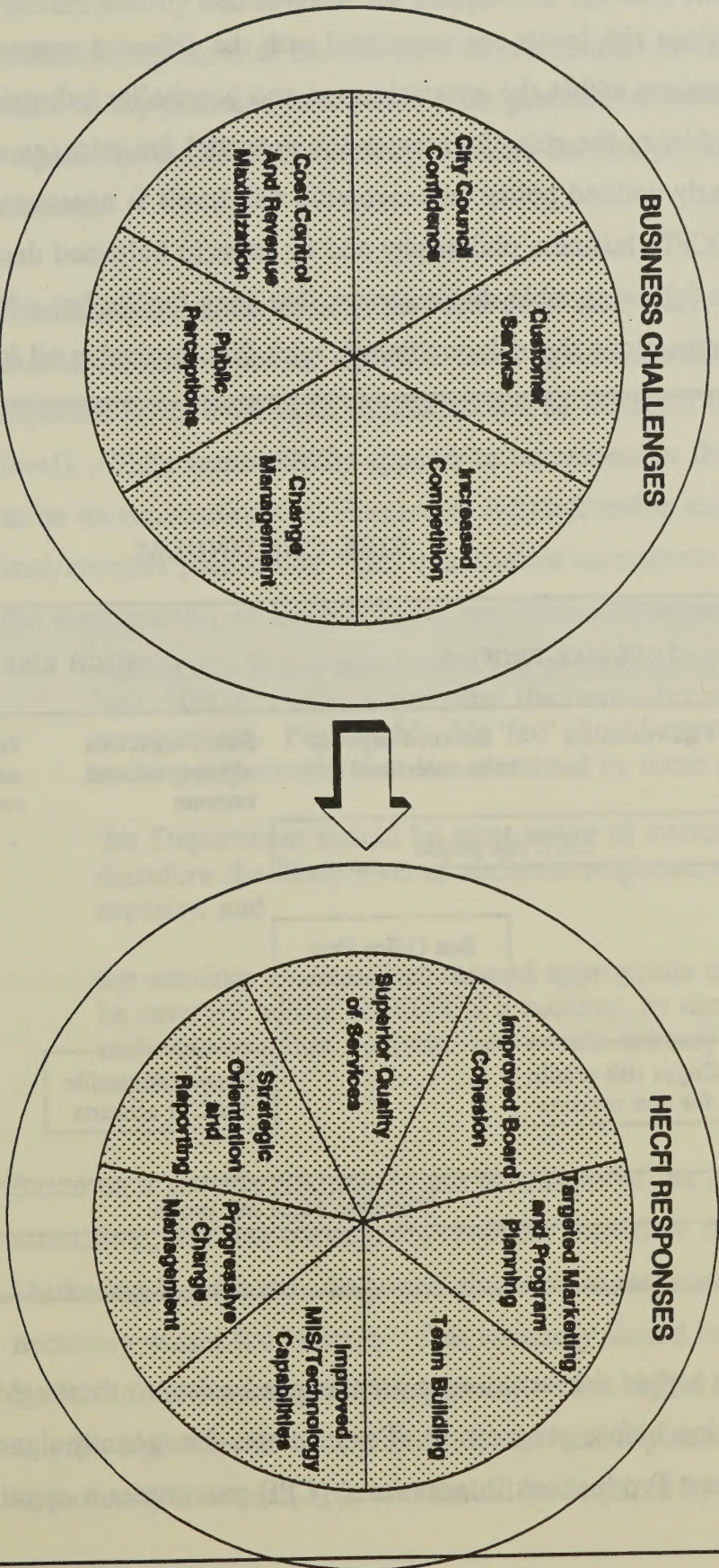
As indicated in various areas of discussion throughout this report, the comprehensive audit revealed much dissatisfaction and disagreement about the level of HECFI's accomplishments in terms of its real and perceived mission statement. Improvements in results for HECFI will require:

- clearer articulation of expectations for programming, operational and financial results, with identifiable action plans and performance measures to be agreed upon that go beyond numbers of activities in each facility, number of open or dark days per year and cost savings;
- a progressive build-up of both strategic and annual plans involving operational and managerial staff;
- a risk management strategy to deal intelligently with the vagaries of both the entertainment and hospitality industries, where expenditures are largely discretionary and consumer commitments are being made later and later toward the date of an event;
- subsequent communication of those plans across Departmental and staff responsibility lines;
- a systematic means of collecting and analyzing performance information, with specific tie-ins to strategic plans, operating plans, annual budgets, and expected realistic levels of performance for each responsibility and program area and for HECFI as a whole;
- greater empowerment of the CEO and all HECFI staff to make decisions that best serve HECFI's users for the longer term and that mutually reinforce each other's respective roles; and
- strengthened reporting to Council and the taxpayers of Hamilton on the achievements against and variances from expectations.

The HECFI management challenges where a collaborative response from both the Board and staff is necessary are summarized in Exhibit 3.5.

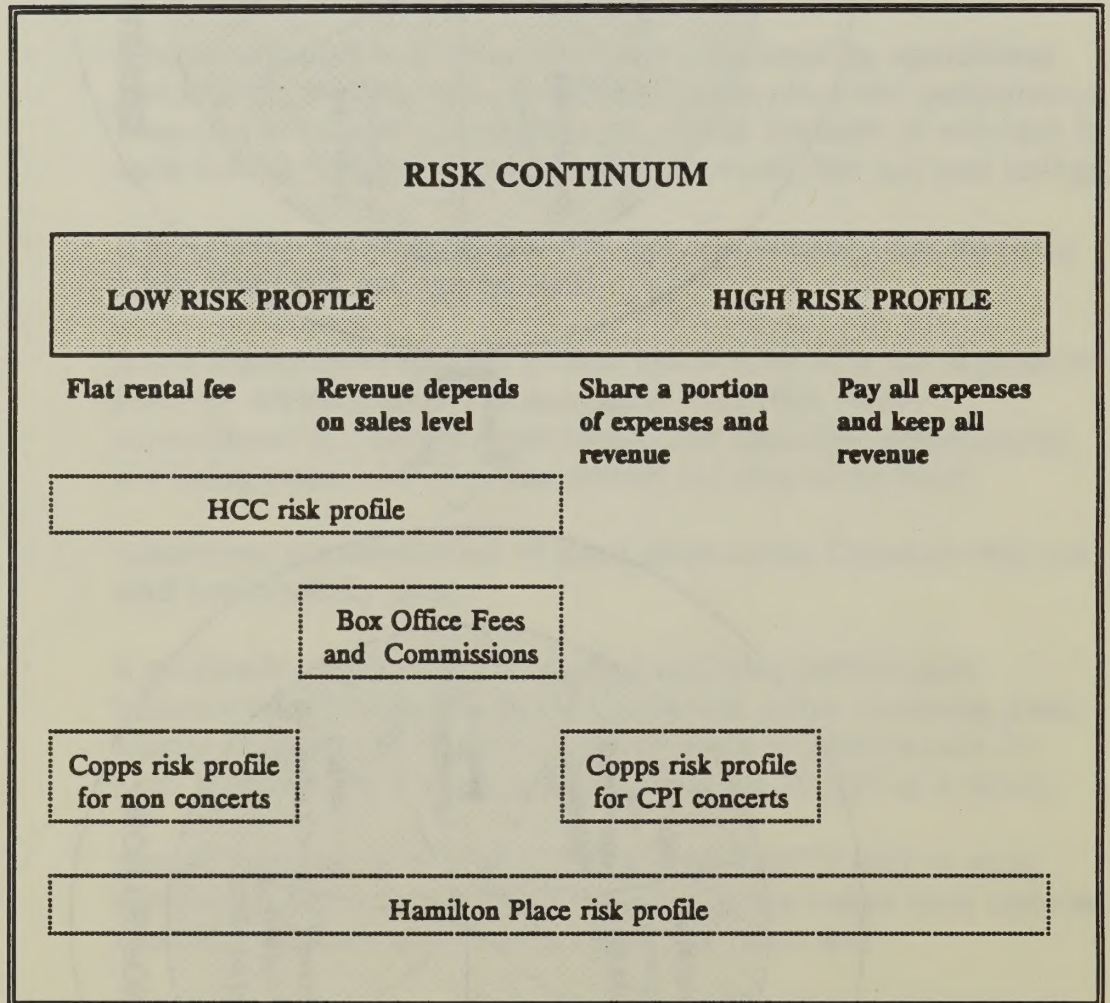
EXHIBIT 3.5

HECFI MANAGEMENT CHALLENGES



F. VARIABILITY OF RISK

Various risk levels are associated with the different revenue arrangements prevalent within the entertainment and hospitality industries. In general, the higher the risk, the greater the potential for gains, as well as losses. A clearly defined policy on acceptable risk levels is necessary to clarify HECFI's business philosophy and to assist in balanced decision-making. The following table demonstrates that each facility has adopted various stances along the risk continuum, with HP employing all four strategies:



With higher risk ventures, a greater need exists to thoroughly evaluate the decision before progressing. For instance, the recently signed contract with Concert Productions International (CPI) guarantees a certain level of

concert activity and revenue for Copps over the next two years, counteracting some of the risk of a co-promotion. Even so, HECFI will share in any potential losses above the guaranteed earnings. This emphasizes the need to carefully evaluate the risk profile of individual concerts.

Quantitative analysis of both the "best-case" and "worst-case" scenarios should be carried out for tentative sales, against specific criteria (e.g. the expected break-even sales volume should be expected to reach a certain level). While responsibility appears to be unclear in this area, there seems to be an expectation that Finance & Administration should perform cost/revenue projections. This quantitative assessment clearly should be the responsibility of the Marketing and Sales Department, as:

- staff in this Department make the programming commitment to "sell" HECFI facilities and offer the events for a certain "fee" arrangement. Presumably this "fee" should represent a profit making opportunity that is understood by those making the deal;
- this Department should be most aware of audience interests and therefore the likely level of audience response, e.g. 60% of house capacity; and
- the earnings quality of events and appropriate ticket prices should be assessed before confirming a booking, by considering both the audience response potential and events delivery expenditure requirements.

Based on a specific risk policy, and the results of the quantitative assessment, decision-making responsibility should be delegated to the Marketing Department, to permit the level of responsiveness that is necessary within the industry. This authority should be multi-levelled, similar to the current purchasing policy where higher levels of expenditure require higher levels of approval. As the risk exposure of a prospective opportunity increases, approval should be required by the Marketing and

Sales Director, then the CEO, and, for seriously high risk ventures, the Board. This approval process does not significantly vary from a practice currently in place for co-promotional activities at Hamilton Place, but should be formalized within a specific risk-profile policy.

RECOMMENDATION

- 3.4 Develop a policy concerning an acceptable risk profile to be adopted by HECFI when booking events. Establish specific performance criteria that must be proven and met before a moderate to high risk event is booked. Assign the risk analysis task to the Marketing and Sales Department. Specify the decision-making authority within this policy, using an escalating scale of approvals for higher risk ventures.**

G. LINKING BUDGETS WITH RESPONSIBILITY CENTRES

Current weaknesses in the HECFI budgeting approach suggest that changes are needed in both the budgeting format and the process. Details on these areas are provided in this section.

- 1. Adopt a Departmental Rather than a Facility-based Format:**
The current facility-based budget, with a one-third allocation of corporate costs to each facility, does not adequately capture the actual corporate costs. A departmental budget would be preferable, emphasizing the revenue and expenditure responsibility of each Director and allowing clearer financial accountability on a cost- or profit-centre basis. Budgets could then be used more effectively for control and monitoring purposes. A program-based budget, rather than the current line item format, would strengthen budget planning and accountability even further.

RECOMMENDATION

3.5 Alter the method of presenting budgeted figures to better reflect HECFI's responsibility and accountability patterns. Move from a facility-based budget to a department-based budget, establishing a stronger linkage between the revenues and the expenditures associated with each category of event.

2. Develop a Systematic Linkage between Plans and Budgets:

The current budget process is fragmented, lacking a clear linkage to a larger strategic or operating plan. This has resulted in inflated or unrealistic revenue or expenditure figures, creating potential service difficulties later in the year when revenue figures are not attained and planned expenditures must be cut. This has been a particular problem for the 1990 budget year.

Exhibit 3.6 provides an abbreviated model of a systematic budgeting process. HECFI has followed a modified version of this model, with primary emphasis on the lower three shaded boxes, as follows:

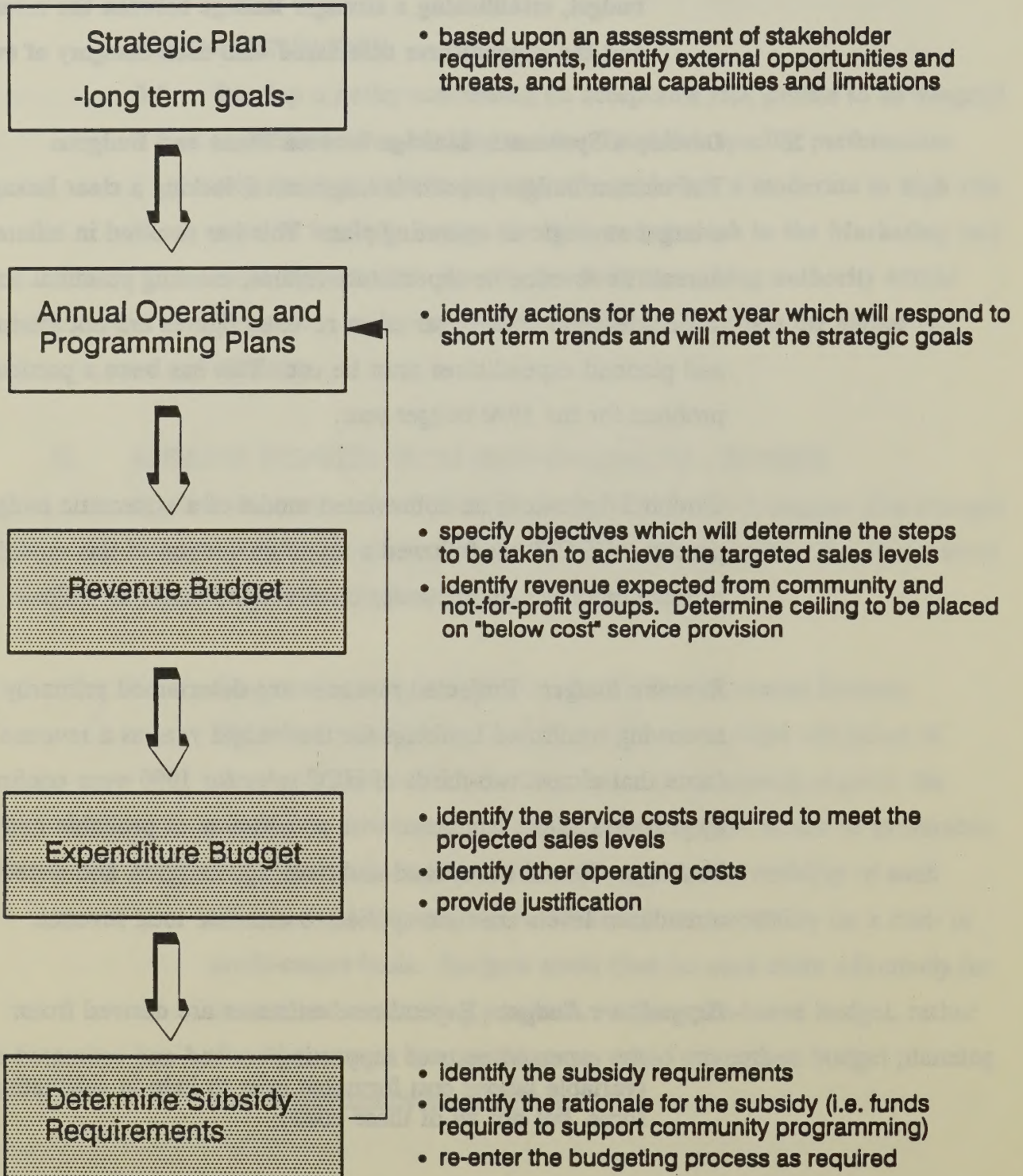
Revenue Budget: Projected revenues are determined primarily by reviewing confirmed bookings for the budget year as a revenue base (note that almost two-thirds of HCC sales for 1990 were confirmed by year-end 1989), combined with an estimate of probable and likely bookings. Rental rates, food and beverage margins, and expected attendance levels are then applied to estimate total revenue.

Expenditure Budget: Expenditure estimates are derived from:

- the expected costs of supporting booked and estimated events (variable labour cost formulae exist to help in calculating some, but not all of these costs);

EXHIBIT 3.6

A BUDGETING APPROACH



- departmental initiatives (e.g. employee training needs); and
- expected increases in fixed operating costs.

Expenditure budgets are submitted to the Finance and Administration Department (F & A) to be consolidated. This process has traditionally required much hands-on involvement by the Director of Finance and Administration, as operating departments tend to have difficulty in applying a systematic approach to expenditure projections. This process appeared to rely largely on historical costs, with some budget expansion based on specific annual plans (e.g. costs associated with pre-set maintenance cycles).

Subsidy Review: The difference between expected revenues and expenditures represents the subsidy requested from the City. In the past, if the subsidy was considered to be too high, senior managers responded by cutting expenses or increasing revenue projections. This year, HECFT's budgeting process appears to be beginning, rather than ending, at this subsidy review stage, as City Council has requested a 10% decrease in HECFT's subsidy requirement.

Weaknesses of HECFT's three-stage process include:

- lack of a clear linkage between clearly articulated programming plans and the budgeting process;
- insufficient provision of clear objectives or rationale that would provide senior decision-makers with a clear understanding of the flexibility in the estimates (e.g. it may be unrealistic to inflate the revenue projections without a discernible shift in marketing actions);
- inadequate attention to subsidy request justifications which emphasize the mandate-related legitimacy of the request; and

- a Board of Director's evaluation approach that pays disproportionate attention to expenditure reduction over revenue-generation, without adequately positioning the accompanying revisions with general operating objectives and priorities, and their own likelihood of periodically requesting below cost use for specific non-profit groups.

Clearly, a more systematic budgeting process driven by plans, objectives, and realistic assumptions, is necessary to assist the Board and City Council in:

- confirming or altering HECFI's strategic and operating objectives;
- determining affordable levels of below-cost community access; and
- specifically weighing the trade-offs to be made between cost-containment and community access in HECFI operations.

RECOMMENDATION

- 3.6 Adopt a budgeting process that has a stronger linkage to carefully constructed strategic and operating plans, and that is supported by clearly stated program objectives and justifications.

H. ORGANIZATIONAL STRUCTURE

The type of organizational changes made early in 1990 are based on an assumption that an organization structured by functional responsibilities would be more effective than its predecessor. While we support the concept of generating efficiencies through a corporate structure, we have also observed that the benefits have not yet been realized. At present, HECFI can best be described as a hybrid organization, lacking the clarity of either a functional or facility focus.

Employees have mixed views about the benefits and hazards of a functional versus a facility-based organizational structure. Questions also exist about

the process undertaken to implement recent organizational changes. While many employees agree that potential efficiencies from sharing common tasks may occur, there is anxiety that these will not be realized due to:

- perceived disregard for the industry requirements or service implications of some of the current and rumoured changes;
- alienation of and disregard for the Hamilton arts community, with a subsequent further decline in Hamilton Place usage;
- the potential for service benefits to be lost through a lack of understanding of the current interdependency of tasks among Departments, e.g. Events and Operations; and the need for some areas of specialization unique to each facility; and
- an apparent practice of realigning reporting responsibilities or re-allocating duties as a method of dealing with the perceived presence or absence of employee capabilities, rather than because of the inherent operational benefits of such a change.

The Board and senior management are cautioned to recognize these concerns when assessing a workable corporate organizational structure. To regain user credibility within the entertainment and hospitality industries, it is also important to ensure that a progression of influential forces, as shown below, is adequately reflected in organizational decision-making:

INDUSTRY REQUIREMENTS --> STRATEGY --> STRUCTURE --> STAFFING

1. Industry Features Affecting Structure:

Earlier in this report, we noted that HECFI operates in dynamic and complex environments where there is considerable unpredictability in client requirements and patron interests. A high service orientation must be reflected in the decisions and actions of HECFI management and staff. The necessity for co-ordinated

internal decisions and for labour-intensive events delivery increases the complexity of managing in these industries.

Exhibit 3.7 illustrates the organizational capabilities and response necessary to cope with these industry demands. Such conditions provide support for an organization structured around functional skills, where common organizational support knowledge can be consolidated and shared. In the old facility-based structure, skills such as marketing and planning have been duplicated for each of the three facilities. Centralized skills increases the requirement for employees to have experience and knowledge in aspects of all three facilities.

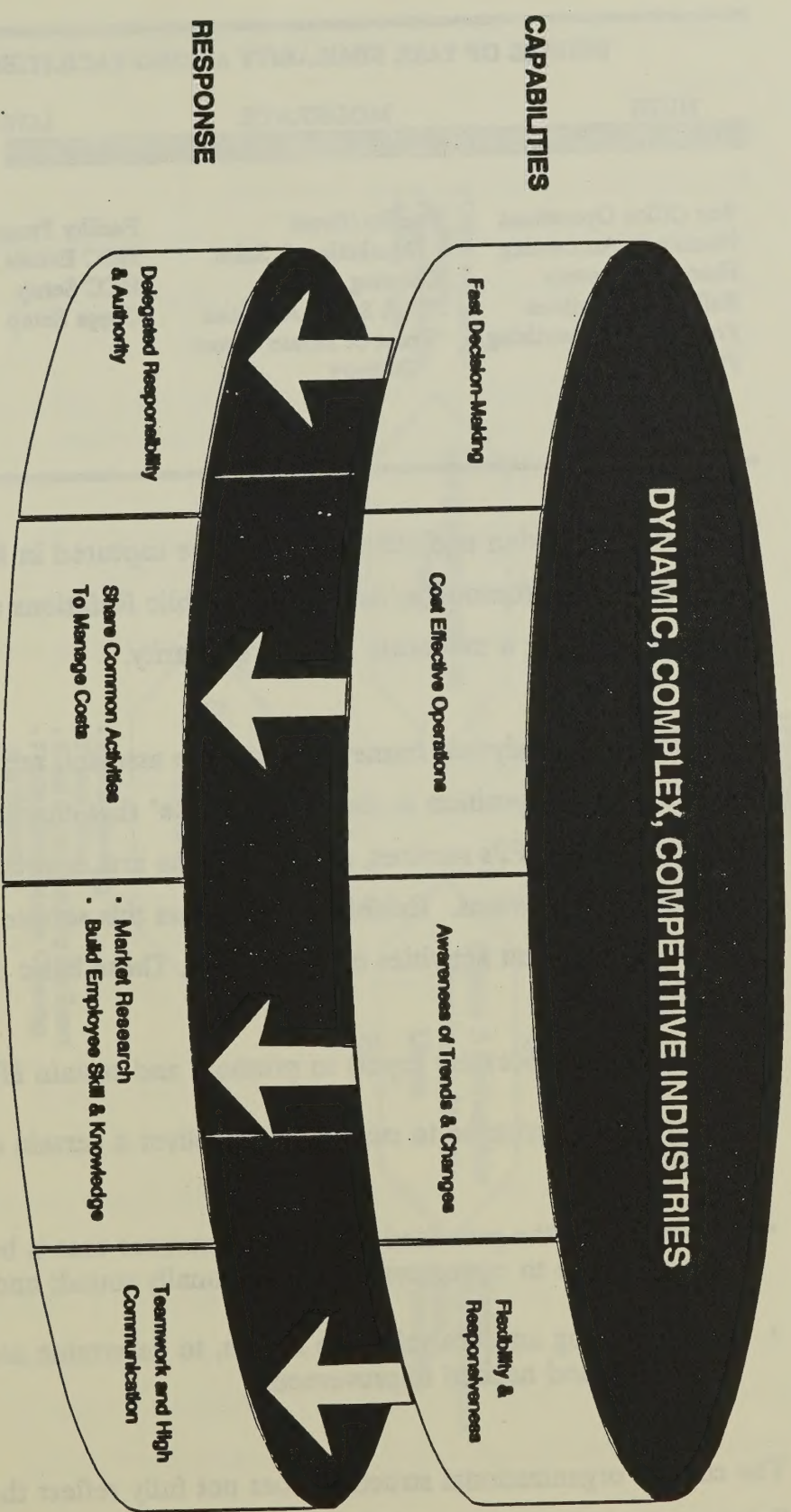
Within these broad functional groups, specialized pockets of expertise can be created, to provide an industry-specific focus where needed, e.g. in selected programming and events delivery areas. At HECFI, the proximity of facilities enhances their ability to share common support tasks, presenting a strong argument for a more centralized skills-driven organizational structure.

2. Interaction Between Departments and Facilities:

Some activities with high to moderate similarity are currently split, with separate reporting channels to each of the three facilities. Similarly, some other areas having shared tasks are centralized under the current structure. Those areas with high work unit interaction and similar knowledge requirements could gain efficiencies by integrating them into a single reporting structure. The following table indicates those activities where the decision-making and required skills are similar, regardless of the facility to which the skill is applied.

EXHIBIT 3.7

ORGANIZATIONAL RESPONSE TO DEMANDS OF HOSPITALITY AND ENTERTAINMENT INDUSTRIES



DEGREE OF TASK SIMILARITY AMONG FACILITIES

HIGH	MODERATE	LOW
Box Office Operations	Facility/Event	Facility Programming
Finance & Accounting	Marketing & Sales	HCC Events Planning
Human Resources	Catering Services	HCC Setup
Building Operations	"Back Stage" Activities	Copps Setup
Promotions/Advertising/ Public Relations	"Front of House" Event Delivery	

Increased integration and efficiency could be captured in Building Operations and Promotions/Advertising/Public Relations and in those areas having a moderate level of similarity.

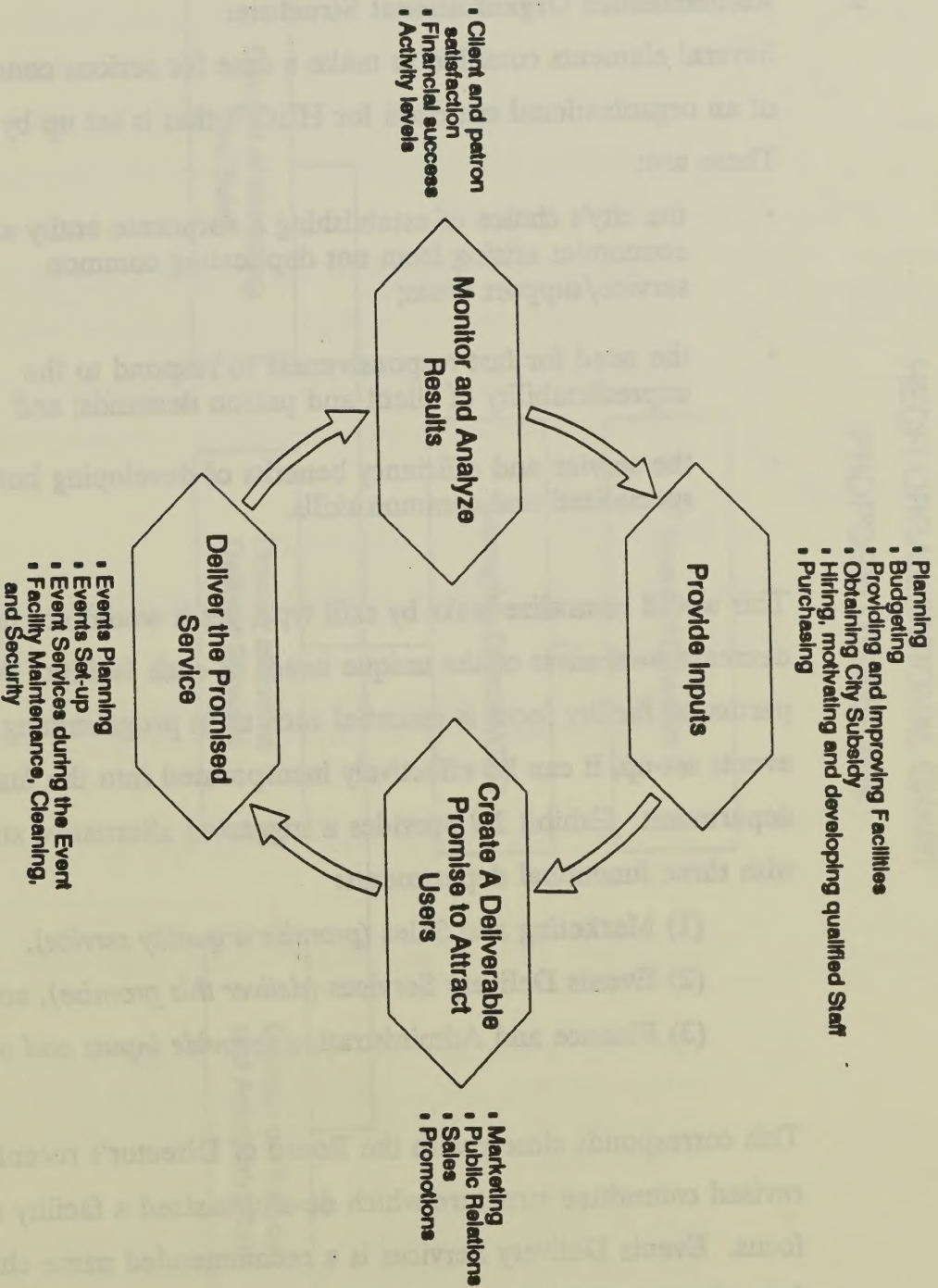
Using a second analytical framework, we also assessed activities according to their position in the "service cycle" that characterizes all categories of HECFT's services, e.g. performing arts, sports, concerts, meetings or conventions. Exhibit 3.8 illustrates this service cycle and the predominant activities in each stage. These basic categories of activity fall into:

- providing necessary inputs to promote and sustain HECFT;
- creating a promise to customers to deliver a certain quality of service;
- delivering the promised service in a manner that is both acceptable to customers and operationally sound; and
- monitoring and analyzing the results, to determine areas of success and needed improvement.

The current organizational structure does not fully reflect the linkages among key stages of HECFT's service cycle. Organizational

EXHIBIT 3.8

THE SERVICE CYCLE



changes to reflect these linkages will be suggested in the next section.

3. Recommended Organizational Structure:

Several elements combine to make a case for serious consideration of an organizational structure for HECFI that is set up by function.

These are:

- the city's choice of establishing a corporate entity and the economics arising from not duplicating common service/support areas;
- the need for fast responsiveness to respond to the unpredictability of client and patron demands; and
- the service and efficiency benefits of developing both specialized and common skills.

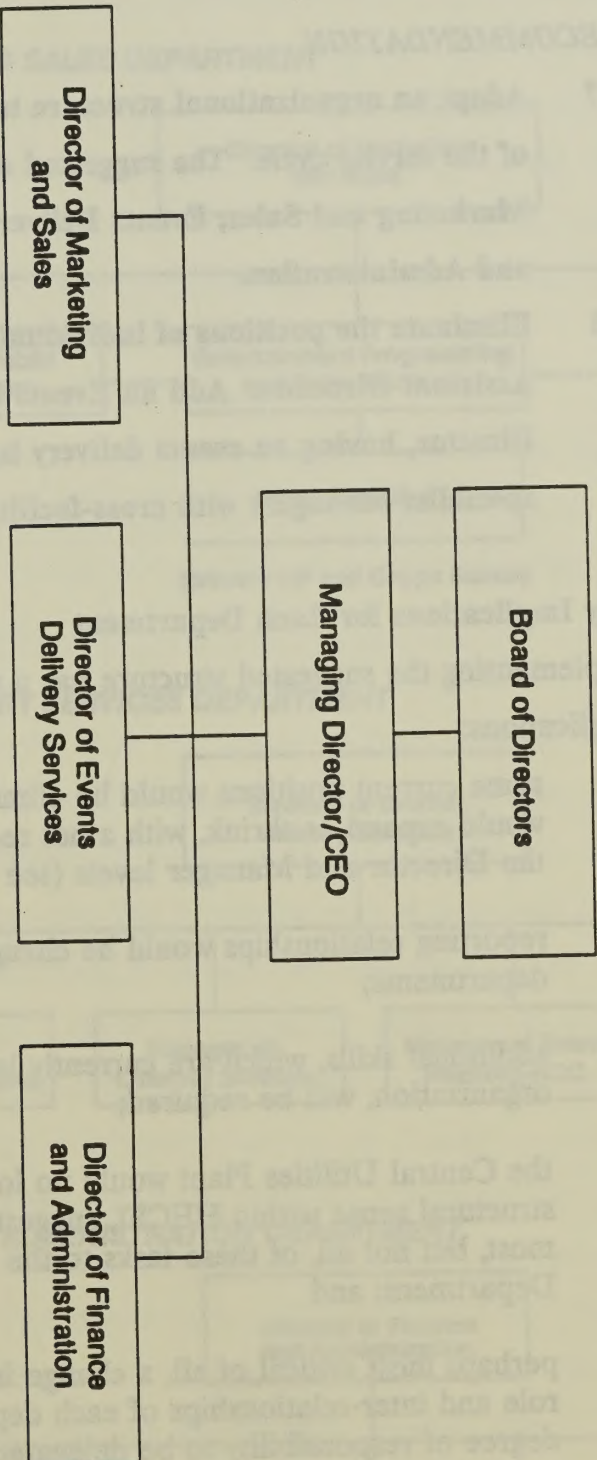
This would centralize tasks by skill type, yet it would not necessarily decrease awareness of the unique needs of each facility. Where a particular facility focus is essential such as in programming and events set-up, it can be effectively incorporated into the functional department. Exhibit 3.9 provides a suggested alternative structure, with three functional departments:

- (1) Marketing and Sales (*promise a quality service*),
- (2) Events Delivery Services (*deliver this promise*), and
- (3) Finance and Administration (*provide inputs and analysis*)

This corresponds closely with the Board of Director's recently revised committee structure which de-emphasized a facility specific focus. Events Delivery Services is a recommended name change from the current Operations title. This name more clearly

EXHIBIT 3.9

HECFI ORGANIZATIONAL CHART PROPOSED REVISIONS



designates a client service and events orientation, rather than the facility maintenance task implied by the Operations term.

RECOMMENDATION

- 3.7 Adopt an organizational structure to reflect the main stages of the service cycle. The suggested departments are Marketing and Sales; Events Delivery Services; and Finance and Administration.**
- 3.8 Eliminate the positions of individual Facility Directors and Assistant Directors. Add an Events Delivery Services Director, having an events delivery background, and specialist Managers with cross-facility responsibilities.**

4. Key Implications for Each Department

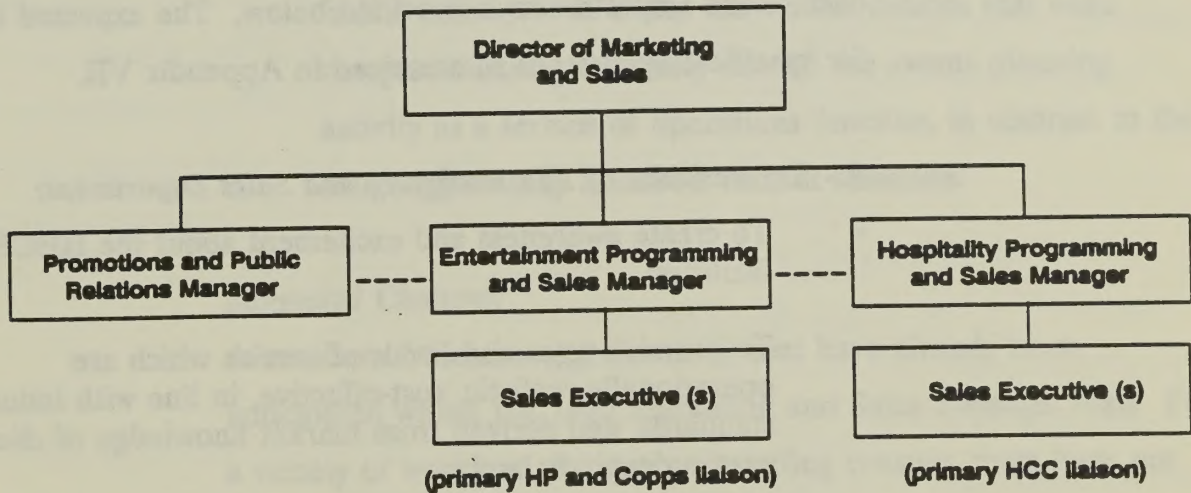
Implementing the suggested structure has a number of significant implications:

- some current positions would be eliminated while others would expand or shrink, with a net reduction of 5 positions at the Director and Manager levels (see Appendix VI);
- reporting relationships would be changed for some departments;
- additional skills, which are currently lacking within the organization, will be required;
- the Central Utilities Plant would no longer make strategic or structural sense within HECFL, suggesting a reassignment of most, but not all, of these tasks to the City's Property Department; and
- perhaps most critical of all, a change in attitude about the role and inter-relationships of each department, and the degree of responsibility to be delegated to operating staff, is needed throughout the organization.

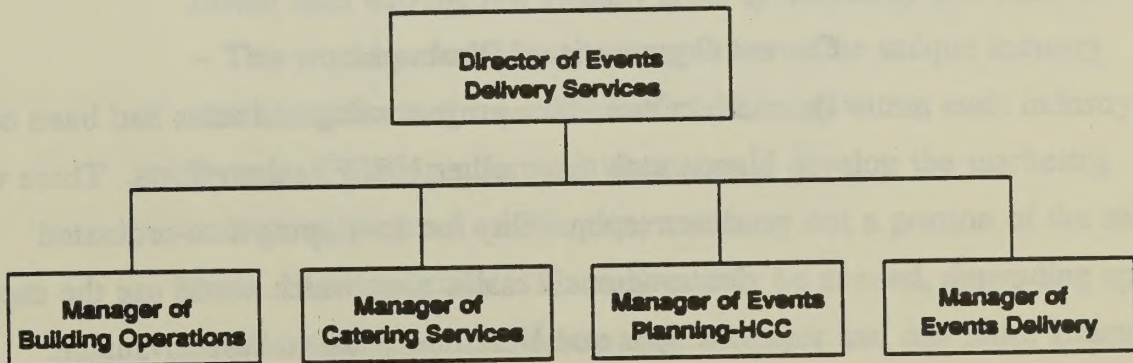
EXHIBIT 3.10

SUGGESTED DEPARTMENTAL STRUCTURES

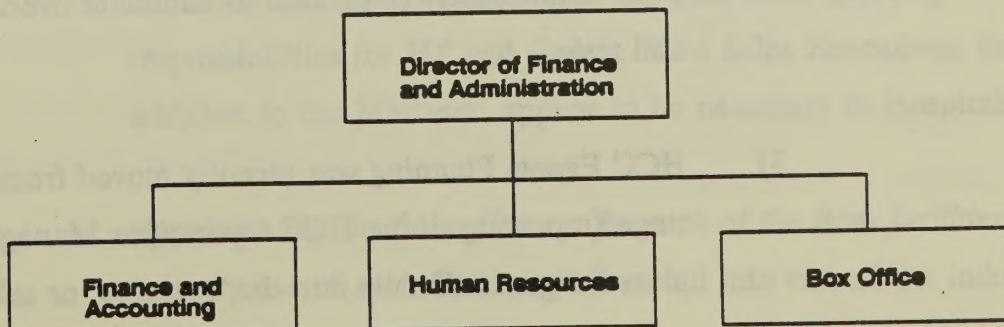
A. MARKETING AND SALES DEPARTMENT



B. EVENTS DELIVERY SERVICES DEPARTMENT



C. FINANCE AND ADMINISTRATION DEPARTMENT



Suggested organizational charts for each Department are provided in Exhibit 3.10. In some cases, additional detailed analysis will be needed by HECFI management and staff before a definitive "best case" organizational sub-unit can be determined. A discussion of each of the Departments is provided below. The expected impact for specific employees is summarized in Appendix VII.

A - Key Activities of The Marketing and Sales Department:

- To create awareness and excitement about the HECFI facilities;
- To promise types and levels of service which are operationally realistic, cost-effective, in line with industry standards, and derived from market knowledge of client and patron demands; and
- To encourage clients to choose HECFI and sign a sales contract.

Current Organizational Weaknesses:

- 1) Hamilton Place programming and sales had been occurring separately from other HECFI sales efforts. There was no clear responsibility for developing a co-ordinated "entertainment" sales plan, which would use the capabilities of Copps and Hamilton Place to best advantage.
- 2) Promotions, Advertising, and Public Relations activities had been inadequately integrated to eliminate overlapping skills and tasks.
- 3) HCC Events Planning was recently moved from the "delivery" stage (reporting to the HCC Operations Manager) and placed organizationally into the "promise" or sales stage to

report to the Director of Marketing and Sales. The events planning activities occur after a sale has been made and the client has made a commitment to facility. In this context, events planning is much more of a "client service" task than a "sales" activity. All of the convention centres that were compared during this study viewed the events planning activity as a service or operations function, in contrast to the role suggested by HECFT's current structure.

Suggested Changes:

A number of the changes discussed next have already been anticipated within the 1990 Marketing and Sales Strategic Plan. For a variety of workload, budget, and staffing reasons, most have not been realized in full.

Divide sales into the two industry areas of hospitality and entertainment

– This would permit greater recognition of the unique industry characteristics and co-ordination of planning within each industry group. A Manager for each area should develop the marketing initiatives, prepare a sales plan, and carry out a portion of the sales tasks. Additional Sales Executives may be needed, depending upon market potential. At present, one Manager and one Sales Executive in the Entertainment group should be adequate, with future activity growth requiring either an additional Sales Executive or administrative support to assume the post-sales ticketing responsibilities for HP and Copps. Two Sales Executives, in addition to the Manager, appear to be necessary in Hospitality sales.

Appoint a Facility Sales Contact for each of the three facilities – The primary use of each facility tends to fall into one of the industry

groups. While all Sales Executives should have basic facility knowledge to be able to book into the appropriate facility for their clients, internal liaison is recommended to ensure efficient bookings. One person per facility should be designated as the Facility Sales Contact to answer facility questions, carry out preliminary site inspections, "sign-off" bookings to prevent double-bookings or inefficient bookings, and to maintain a working relationship with the facility events personnel. Based on their primary areas of emphasis, suggested Facility Sales Contacts are: HP - Entertainment Sales Manager; Copps - Entertainment Sales Executive; HCC - Hospitality Sales Manager.

Develop corporate-level strategies to drive the industry groups -- Cross-facility research on audience profiles, target audience preferences, competitive trends and market changes is needed to guide co-ordinated sales efforts.

Allocate promotional and public relations duties so that tasks do not overlap -- Efficiency would be improved by assigning one person to carry out common tasks for all facilities (i.e. major event bid preparation), by more equitably sharing duties, and by eliminating duplication such as media ad buying currently carried out by two people. Contracting out more of the work to a public relations or advertising agency is likely to result in cost savings.

Add a method of internal cross-reporting -- Co-ordination of effort between sales and promotions is not being fully realized at this time, resulting in lost opportunities to increase the profile of events.

Return HCC Events Planning to the delivery stage of the service cycle --
The HCC Events Planning function should report to Events Delivery Services rather than to Marketing and Sales to be consistent with its role of working with confirmed client bookings. Cross-departmental liaison mechanisms to ensure necessary continued communication with Marketing and Sales will be discussed later in this report.

RECOMMENDATION

- 3.9 Divide the Marketing and Sales Department into three groups - Promotions and Public Relations; Entertainment Programming and Sales; and Hospitality Programming and Sales. The primary departmental task will be to achieve the first stage of the service cycle, where industry requirements are periodically assessed and realistic client and patron expectations are established. A "Facility Contact" should be designated for each facility to ensure efficient bookings and adequate liaison with facility Events Services personnel.**
- 3.10 Move the HCC Events Planning Group to the Events Delivery Services Department from Marketing and Sales, to better reflect its service and operational focus.**
- 3.11 Hire an Entertainment Programming and Sales Manager with specific contacts and expertise in performing arts management, to develop a programming plan for HP, to identify tactics to meet the mandate of HP, to book appropriate acts, and to revitalize the cultural presence and credibility of HP in both Hamilton and the performing arts community at large.**

B - Key Activities of The Events Services Division:

- To fulfil the second or "delivery" stage of the service chain by meeting client and patron expectations created through Marketing and Sales activities; and
- To plan and deliver services during the event as efficiently and economically as possible, within the parameters of the sales contract prepared in the Marketing and Sales Division.

Current Organizational Weaknesses:

- 1) Some Events Delivery activities are duplicated at Copps Coliseum and Hamilton Place.
- 2) Too much task fragmentation exists in Catering Services and Building Operations between the three facilities. This has led to duplication of activities, incompatible procedures, and inconsistent priorities.
- 3) Insufficient co-ordination occurs between Events Planning and Events Delivery at HCC. The recommended reporting realignment for Events Planning should help to improve this area, but further changes are also needed.

Suggested Changes:

One Events Delivery Manager should oversee all events set-up and front-of-house activities at both Copps and HP -- Currently, these activities are managed by an Events Manager at Copps and a Front of House Manager at HP, each with an Assistant. A single Manager should be supported by an Assistant at each of the facilities, in order to provide sufficient night-of-event supervision and to react to specific facility-based requirements. All events-related electrical set-up, operations and events-related security activities should be part of this group. All IATSE set-up liaison should also occur through the Events Delivery Manager.

Maximize the use of the catering facilities and skills by consolidating catering services – Food and beverage purchasing, preparation, and service for all three facilities should be part of this group. HCC requirements should take priority, given the hospitality industry-focus of this facility. Particularly for HP and Copps, contracted-out services should be pursued (e.g. the current contract at Copps for Volume Concessions services), where these would prove to be more efficient or effective or where HCC workload limits in-house service availability.

Co-ordinate and supervise Building Operations for all three facilities through one Building Operations Manager – Cleaning, building security, and basic building maintenance activities require a number of common skills. Also, they are part of the "delivery" stage of the service chain, as their quality affects the quality of patron and client experiences. Consolidating these functions and including them in the Events Delivery Services Department should enhance performance by:

- emphasizing the impact of these functions on customer satisfaction and repeat users;
- facilitating the scheduling of major cleaning or maintenance around events; and
- having a common Manager to provide centralized direction, co-ordinate all needed services, and resolve disputes.

A single Building Operations Manager would also streamline the liaison function with the Central Utilities Plant for ongoing building power and environmental quality requirements.

Reassess the scope of Events Planning's responsibilities – A number of issues concerning the scope of Events Planning activities are considered in this report. Among these issues are:

- the scope of the planning responsibilities;
- the stage where a client file is transferred to events planning from sales; and
- the timing of client file assignment to Events Co-ordinators.

Whether this group ultimately reports to the Director of Events Delivery Services or to another level (e.g. Manager of Catering Services) in this department is an option which will be affected by the resolution of these issues.

RECOMMENDATION

3.12 Move to the Events Delivery Services Department all those activities that contribute directly to the delivery of the service promised in the marketing and sales stage of the service cycle. This would result in up to four consolidated groups - Building Operations, Catering Services, Events Planning, and Events Delivery - with facility-related specialist positions within these groups where necessary.

C - Key Activities of The Finance and Administration Division:

- To close the loop in the service cycle by providing information and support services related to inputs (labour relations; revenue collection through box office services) and to outputs (record expenditures; consolidate financial and activity reporting).

Current Organizational Weaknesses

This is the only department where consolidation of all finance, personnel, human resource, and box office functions takes place. A

number of questions have been raised by Board members, senior managers, and City staff concerning this department. These issues will be discussed in the Costs and Productivity section.

Suggested Changes:

The basic structure of the current Finance and Administration Division is appropriate to provide corporate financial, accounting, and selected human resources and administrative support services.

RECOMMENDATION

3.13 Retain the current reporting structure of the Finance and Administration Department. The primary responsibilities of the Department should remain those that support analysis and advice to management and the Board on HECFI's statutory obligations pertaining to financial matters, good accounting and financial control practices, financial performance, human resources administration, and general office administration.

5. Organizational Placement of the Central Utilities Plant:

Given the mission statement for HECFI, this audit was unable to find any clear rationale for keeping the Central Utilities Plant (CUP) in the HECFI corporate structure.

Currently, the CUP's primary responsibilities are to provide the following services to five City buildings, the Ontario Government Building and the three HECFI facilities:

- maintain and operate all electrical and mechanical equipment;
- monitor energy consumption and management; and

- monitor and control building environmental quality including humidity, air conditioning, ice conditions, etc.

Organizational vagueness exists, with employees reporting through the HECFI management structure and appearing as part of HECFI's staff complement, yet this group operates under a "City Department" budget rather than under HECFI's budget. CUP's budget is prepared, monitored and managed by HECFI's Finance and Administration Department and Copps Coliseum management, at an estimated annual overhead cost of \$100,000.

There is no apparent need or advantage in creating a separate environmental maintenance/operations group responsible solely for HECFI. Given the events-related nature of much of the activities of CUP's electrical group, however, it would be advisable to establish an electrical group within HECFI, separate from the CUP, to ensure ongoing management control over access to these services.

The extent of HECFI's events-related demands suggests that the size of this group should be approximately 2-3 people. A review of the events-related workload over the previous years should be undertaken to determine more exactly the number of employees needed. During non-event periods, the electrical staff could be used within HECFI for general building needs and preventive maintenance of electrical equipment, or be "contracted out" to the CUP, should the workload allow for this. Access to the preventive maintenance program operating on the CUP computer would also need to be arranged.

With these organizational arrangements in place, the entire CUP maintenance and operations responsibilities, except for the electrical tasks, could be returned to the City, providing the City with the control to extend, if desired and feasible, CUP services to other properties associated with the City. The Property Department, where all other property-related tasks are located, appears to be the most appropriate department to assume the CUP responsibilities.

Relocating CUP management responsibilities to the Property Department presents two primary advantages for HECFI:

- managers would be able to focus attention and decision-making on strategic and operational issues related to the entertainment and hospitality industries; and
- Finance and Copps Coliseum staff time currently applied to the financial and staffing reporting and controls for CUP could be diverted.

Should such a move be undertaken, there are a number of areas where HECFI would need to maintain building operating assurances, as follows:

- **Responsiveness:** as the current staff have built an internal system of monitoring and anticipating environmental concerns, the response time to adjust temperature and air quality during an event at the three facilities is currently quite good, enabling HECFI to provide a high level of service to its patrons. Continuing responsiveness to HECFI client and event-related concerns would need to be clearly recognized and accepted by the City.
- **Ice Plant Requirements:** Copps Coliseum has the greatest reliance of all nine buildings on the Refrigeration/Air Conditioning Technician for ice plant setup and maintenance. A certain measure of work load consistency is provided year-round, as air conditioning requirements for all nine buildings are also attended to by this technician. The lack of direct HECFI management control over this person would need to

be recognized, and arrangements negotiated to ensure continued access to this very necessary skill set.

- **Electrical Services:** the CUP electrical staff play an integral role in events delivery at the Copps Coliseum. Contractual arrangements with show promoters require the electrical demands of the show to take priority over other HECFI and CUP electrical jobs. Additionally, the electrical staff operate certain pieces of equipment (i.e. the electronic scoreboard) during an event. Co-ordination with the Events staff at Copps before and during an event is critical.

The major potential disadvantage of moving the CUP back to the City would be the possible expense recognition by HECFI, if the City should institute a chargeback for direct hydro costs and for staff time. This could be a significant cost, as the hydro charges alone for the three buildings in 1989 were approximately \$750,000. However, since these costs are currently subsidized by the City, there would be no net difference to City coffers. The chief operational benefits for HECFI of the transfer are a reduction in senior management time and attention.

RECOMMENDATION

- 3.14 **Transfer the Central Utilities Plant, with the exception of the electrical staff, back to the City of Hamilton, specifically to the Property Department. Clarify arrangements with the Property Department concerning continuation of events-related service responsiveness and availability.**
- 3.15 **Determine the optimal number of electrical technicians required to provide events-related electrical services, and to maintain an electrical preventive maintenance program for the three HECFI facilities. Provide for the electrical group**

to report to the Events Delivery Manager, e.g. through a Chief Electrician.

IV. ACCEPTANCE BY MAJOR STAKEHOLDERS AND RELEVANCE OF ACTIVITIES

Major stakeholders for HECFI are:

- City Council and the Board of Directors;
- clients who rent HECFI facilities or who agree to book entertainment and sports acts; and
- residents of Hamilton and area who form the largest audience potential.

This section briefly discusses the acceptance by each of these stakeholders of HECFI management, operations, and program choices. It also focuses on some specific activities undertaken at HECFI that emphasize the close attention required to users of hospitality and entertainment services.

A. BOARD AND COUNCIL SUPPORT FOR HECFI

Most Board and City Council members expressed support for the principle underlying HECFI - that it is a publicly-funded body providing entertainment and convention/trade fair opportunities that bring economic benefits to the community. Most were also supportive of the amalgamated corporate structure, governed by a Board of Directors composed of politicians and citizen-appointees. This support was qualified somewhat, by the following concerns:

- a perception that HECFI was not meeting its potential to "drive the spirit of the community" and to "create excitement and pride";
- uncertainty about the subsidy requirement - whether it can or should be eliminated, whether such support should be viewed as a "bargain" given the quality of the facilities and the role that HECFI plays in the community, and whether it could be reasonably compared to other subsidized operations such as the Library Board or the Hamilton Parking Authority;
- questions about the value being received from the subsidy, with concerns about the size and cost of HECFI's fixed overhead, particularly staff; and

- anxiety over the future of Hamilton Place under the direction of a Board that appears to have a sports programming bias and, in the case of selected Board members, an active disregard for HP operations.

These concerns reflect the lack of clear consensus on the overall role of HECFI, as discussed in the Management Direction section. In addition to clarifying management direction for HECFI, an increased level of Board and Council acceptance will also depend on:

- developing improved communication, trust and understanding between the Board and all levels of staff; and
- putting forth a conscious effort involving Board, Council, and staff to develop a common, workable philosophy for HECFI's role in the community, and the likely impact on subsidy requirements.

Developing a consensus on the role and value of the municipal subsidy needs specific attention. Assessing the subsidy requirements could occur from a number of perspectives, as shown in Exhibit 4.1. Although this audit did not investigate the first point, brief observations can be provided for the next two areas, as follows:

1. Economic Impact:

An industry-accepted measure of the economic benefits of conferences indicates that the City's annual subsidy has been returned from 16 to 32 times² to the community from conference activity alone. A full-scale assessment of economic impact should reveal a higher return ratio if the impact of all HECFI activities were calculated.

² Referring to the International Association of Convention and Visitors Bureau formula of average delegate expenditures of \$866 over an average conference of 3.5 days, HECFI's 1989 conference delegates spent an estimated \$78.9 million. Based on the 1989 subsidy of \$2.5 million, the subsidy has been returned to business entities in the City 32 times. If HECFI's average conference length keeps delegates in the City only half of the Bureau's estimated time, the economic return would still be 16 times the subsidy.

EXHIBIT 4.1

PERSPECTIVES TO CONSIDER WHEN ASSESSING THE HECFI SUBSIDY REQUIREMENTS

INTERNAL CITY OF HAMILTON COMPARISONS	What are the subsidy requirements for other City entertainment or sports facilities? Is the subsidy per attendee reasonable, compared to other City measures?
	ECONOMIC IMPACT What is the estimated economic impact and what should the City reasonably expect to contribute to sustain this impact? Should major beneficiaries of HECFI activities, e.g. hotels, contribute to operations in a more direct manner than the current property tax allocation?
COMPARATOR FACILITIES	What are the ranges of subsidy provided to other publicly supported facilities in the same industries (recognizing that HECFI is a unique corporate entity and identical comparators are not available)?

2. Comparator Facilities:

In comparison to similar facilities, the \$2.6 million subsidy provided to HECFI in 1990 is not out of line, considering that this subsidy generates entertainment and economic benefits from three separate facilities. The table below provides a summary of operating subsidy levels for eight comparator facilities.

SUBSIDY LEVELS OF COMPARATOR FACILITIES	
Convention Centres: Ottawa Congress Centre Metro Toronto Convention Centre Winnipeg Convention Centre (1990 funding commitment)	\$300,000 - \$400,000 \$0 \$1.4 million
Arenas/Auditoriums: Kitchener Memorial Auditorium Lansdowne Park and Ottawa Civic Centre (auditorium and stadium)	\$485,000 - \$560,000 \$2.5 million
Performing Arts Centres: City of Waterloo - programming at the Humanities Theatre Centre in the Square Stratford Festival (3 theatres)	from \$2-3/ticket to \$10-11/ticket \$955,000-975,000 \$2.2 million (\$4.42/ticket, 1990) *

* This ignores the significant subsidy received through almost \$3.1 million of corporate and private donations in 1990. Combined government/private subsidy equals \$10.31/ticket.

These measures provide additional data to be considered by Board, Council, and staff when trying to develop a common understanding of an acceptable subsidy, role, and status for HECFI within the community.

B. REPEAT CLIENTS

Two measures - the number of repeat clients and the tone of client evaluation forms - can indicate the level of client support for the services provided to them, both before and during an event. At HECFI, available information on both of these indicators demonstrate that programs and services offered to clients are judged to be satisfactory.

1. Repeat Clients:

Repeat clients are said to account for almost two-thirds of HCC's business.³ Over 99% of clients who completed a HCC Client Evaluation form during a twelve-month period indicated that they would return. Major events at Copps, such as Disney on Ice and the Building Improvement Show, are return clients. Such returns would be unlikely if major dissatisfaction with client services existed.

2. Tone of Evaluation Forms:

Comments from Copps' clients, provided on the Client Evaluation forms and directly to Copps employees, indicate the professionalism and teamwork of the Sales, Events, and Box Office staff, and the skilled assistance provided to the artists' road crews. The majority of comments at HCC, received through correspondence or Client Evaluation forms, were positive for all forms of client service and events delivery. Concerns at any facility tend to be presented as constructive suggestions, rather than as an expression of displeasure with overall performance.

³ A monthly sales report indicated that 67% of that month's bookings were from repeat users. The HCC Sales Manager confirmed that this was a representative ratio. This percentage is high enough to indicate satisfaction, but not so high as to raise alarm over a heavy dependence on "old" business.

Maintaining this positive reputation should be one of HECFT's objectives for the long-term. Re-instating the practice of reporting on these measures of client acceptance will be discussed in the chapter on Reporting and Monitoring practices.

C. ATTENDANCE LEVELS

Patron (audience) acceptance levels have not corresponded with client satisfaction levels. Total attendance levels at HECFI events have declined over the past two years from 1.5 million in 1988 and 1987 to approximately 1.1 million this year. Hamilton Place has had fluctuating attendance since 1986, Hamilton Convention Centre's attendance has been declining steadily since 1987, (although the number of events and the workload impact for staff has been on the increase) and Copps Coliseum has not fully recovered from the sharp attendance drop in 1989. The fluctuations in attendance at each of the three facilities are shown in Exhibit 4.2.

The complete extent of the 1990 decline was not expected, as the actual attendance figures for 1990 were 12% - 15.5% lower than the budgeted figures, depending on the facility. Reasons for and financial implications of this decline are discussed in detail in the sections on the Appropriateness of Activities and Financial Results. In general, however, this decline shows that audiences are not being attracted at the levels experienced in the past.

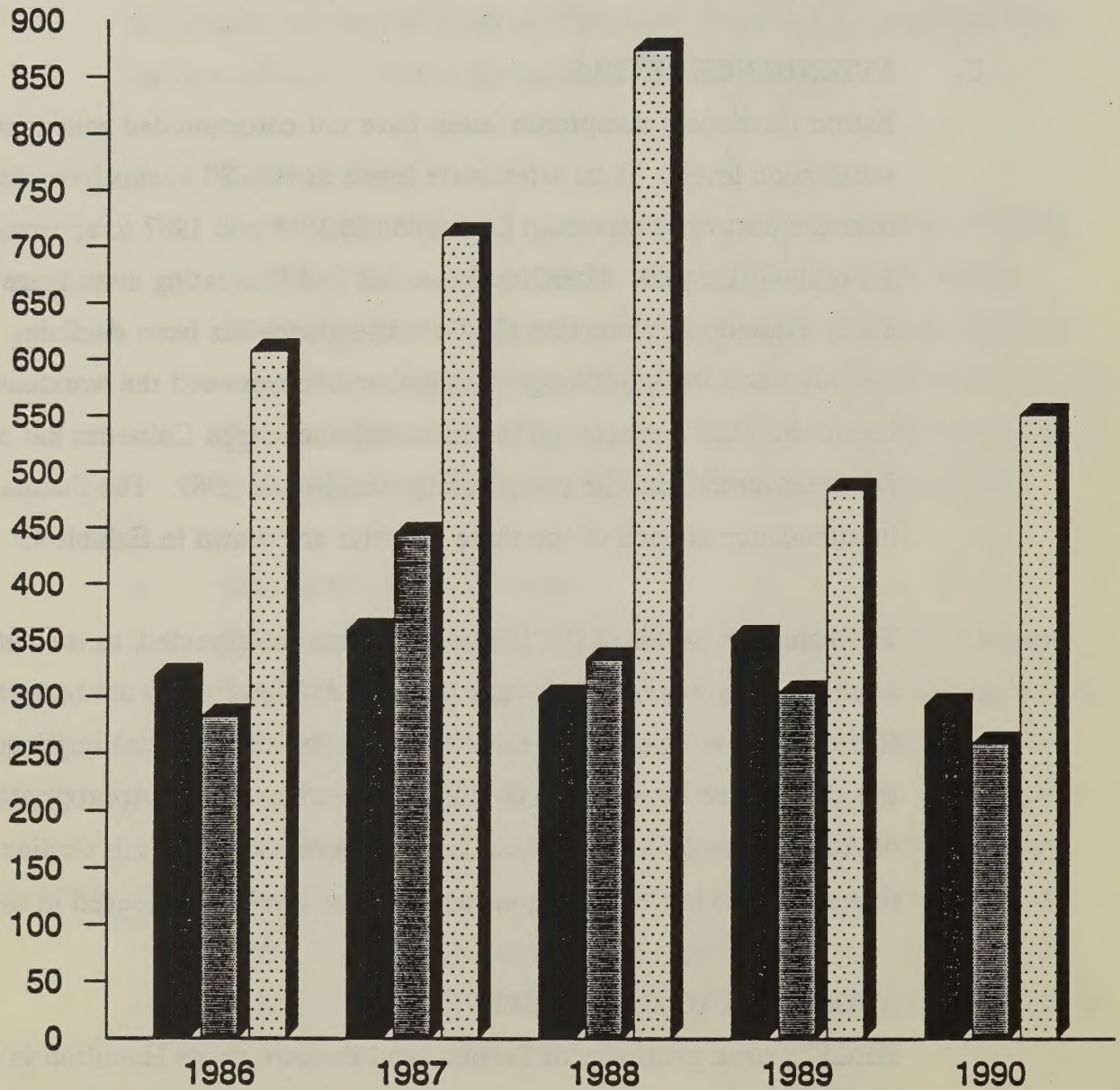
D. ATTENTION TO CLIENT SERVICE

HECFT's close proximity to Toronto and Buffalo places Hamilton in a "second tier" or regional market, creating a major challenge in attracting clients and promoters. The current difficult economic period, is also reducing the pool of possible buyers. Service quality becomes an increasingly important factor in attracting users under such conditions. The

EXHIBIT 4.2

ATTENDANCE PATTERNS

Attendance (in thousands)



Hamilton Place
(Great Hall only-1986)



Hamilton Convention Centre



Copps Coliseum

quality of events delivery services can affect the facilities' reputation and obviously influences a decision to return.

Delivering an acceptable level of service means incurring staff costs which may appear excessive to the casual observer. For example, relevant services to retain HECFI's competitive edge and to overcome some of the challenges of being a regional centre, include:

- planning and co-ordination between Copps Coliseum sales, events and box office staff;
- attendance by management staff, e.g. Copps Events Manager and Box Office Manager or Supervisor, at each event to oversee activities;
- the use of "stress holds" at Copps to provide last-minute seating alternatives to patrons; and
- attention to detail, provided by the HCC Duty Managers and kitchen and banquet personnel.

Efforts to decrease costs related to these activities requires careful consideration of ways to maintain standards of service acceptable to users.

RECOMMENDATION

- 4.1. Carefully consider the impact on HECFI's positive and competitive events delivery services, before any cost-saving measures in this area are adopted.

V. APPROPRIATENESS OF ACTIVITIES

A. PROGRAM PLANNING

HECFT's programs and services failed to attract the audience levels that were expected for 1990. A number of factors could have led to this:

- inappropriate programming decisions, due partially to an insufficient awareness of audience interests;
- programming commitments which generated low attendance levels; and
- marketing and sales efforts which may have been unable to either capture the expected potential or respond to unforeseen events.

The implications of these three factors are reviewed in the next few pages.

1. Programming Decisions:

While there were some great successes in entertainment programming this year (e.g. New Kids on the Block) there have been some major failures (e.g. Boxing at Copps; West Side Story at Hamilton Place). A lack of awareness of the interests of the HECFI audiences appears to have contributed to many of these failures. This is supported by the view of a number of Directors and middle managers, including the Director of Marketing and Sales, that the primary reason for these failures was an over-optimistic estimate of ticket sales, based on an inadequate assessment of audience interest.

Sales Executives' intuition and contacts are no longer enough to guarantee sound programming in this more difficult economic environment. A systematic assessment of external environmental trends that are likely to affect HECFT's earnings, as well as better use of available internal data to understand the basis for past

success, is necessary to develop sound programming decisions. Exhibit 5.1 outlines the primary considerations for proactive program planning.

The Marketing and Sales Department has recognized the need for a more objective market assessment of audience preferences and interests, yet budget restrictions prevented a scheduled audience study from being conducted this year. As HECFI's financial success is affected by the appropriateness of programming, the cost to complete this study should be recognized as a necessary investment and a priority. The expected outcomes and the resulting benefits and application of the information should be clearly stated.

RECOMMENDATION:

5.1 Identify the outcomes and programming benefits that could result from a multi-faceted program of market research activities. Plan to carry out this study within the next budget year, to provide a more objective basis for program planning and decisions.

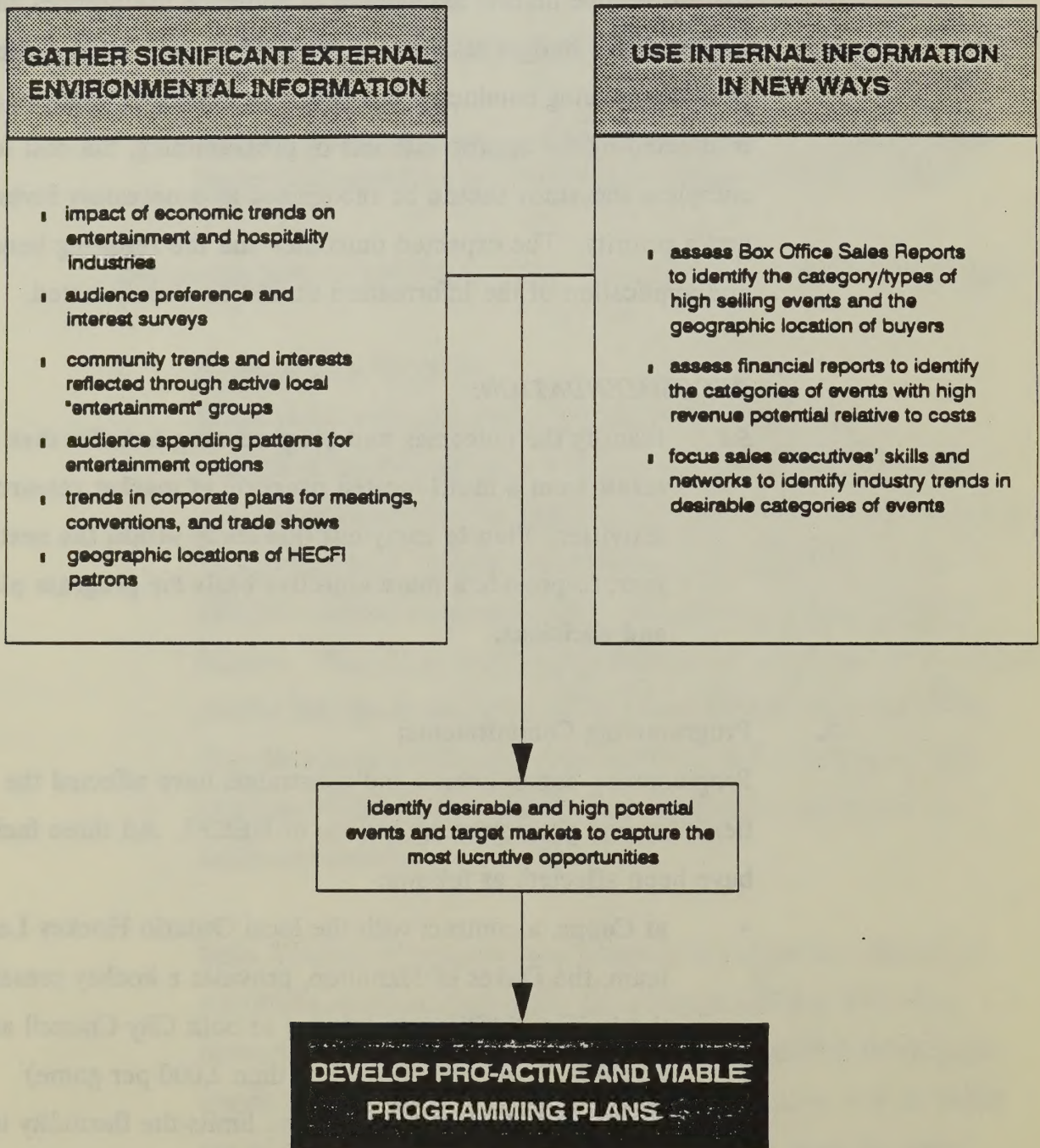
2. Programming Commitments:

Programming commitments and constraints have affected the flexibility and programming options of HECFI. All three facilities have been affected, as follows:

- at Copps, a contract with the local Ontario Hockey League team, the Dukes of Hamilton, provides a hockey presence in the facility, fulfilling an interest of both City Council and HECFI. Low attendance (less than 2,000 per game) decreases box office revenue and limits the flexibility to book other events during the hockey season;

EXHIBIT 5.1

PROACTIVE PROGRAM PLANNING



- **at HCC, City Council policy discourages active solicitation of banquet business, to minimize competition with local privately-owned banquet halls. This high profit margin activity is limited to those events where the client initiates the contact; and**
- **at HP, booking commitments with local performing arts groups (e.g. Hamilton Philharmonic Orchestra) has reduced the number of prime dates available for HP programming during the peak entertainment season, causing HP to attempt to program on less-popular nights or during the off-peak season. A proposal being offered by the Hamilton Place Task Force may reduce this constraint somewhat, by arranging a certain number of peak days to be returned to HECFI for direct programming.**

Marketing and Sales efforts must focus on activities to compensate for these limitations. Efforts should include a mix of:

- ***aggressively pursuing attractive opportunities:*** increase efforts to seek high profile events which attract a large gate, or events with a high revenue to cost ratio (e.g. high profile conferences with large attendance figures could generate high food and beverage revenues; a trade show could attract a large number of visitors over a few days, with only one set-up cost for the entire period);
- ***minimizing the impact of the constraints:*** focus on attracting events that are shorter in duration and complementary to the set-up required for the pre-set programming commitments (e.g. seek high-profile hockey exhibition games or expand casual ice rental to compensate for the Dukers schedule; target those performing arts acts which could use the forestage at HP during the dark days of an Opera Hamilton performance run); and

- *actively assisting community groups* with low attendance to market their activities, in order to attract a larger audience (some, such as HPO, are quite successful with their current program; others, such as the Dukes, may be willing to work with HECFI for the mutual benefit of expanding the local interest).

3. Marketing and Sales Efforts May Need Refocusing:

As of November 1990, all three facilities were projecting that 1990 events and attendance levels would be under budget, as shown:

% Under Budget - 1990				
	Copps	HCC	Great Hall	Studio Theatre
Events	14%	3%	10%	13.7%
Attendance	14%	15.5%	12.4%	38%

A decrease of approximately \$800,000 was expected in budgeted 1990 revenue as a consequence. Marketing and sales efforts may have been either:

- inappropriate to capture the potential reflected in the budget, and/or
- lacking in flexibility to permit quick response to changes in the basic assumptions behind the budget (i.e. an economic slowdown early this year led to some cancelled events at HCC).

Understanding the basis for the difference between budgeted and actual performance is a critical task, to determine whether a change in tactics is necessary. A re-assessment of the specific marketing and sales efforts that were carried out this year, and their payoffs,

may provide valuable insights. For instance, a number of individuals in the conventions and meetings industry interviewed for this audit expressed admiration for the HCC facility, but felt that the marketing efforts had not been adequately aggressive or focused. Releasing the Sales team from client servicing tasks, as suggested in the next section, should provide additional time which could be applied to revising the HCC sales profile.

RECOMMENDATION

5.2 Adopt a more aggressive marketing stance, after the sales tactics of the past number of years have been re-evaluated to determine the payoffs and problems associated with these efforts.

B. A POTENTIAL SERVICE GAP

A client servicing responsibility gap exists at HCC, where neither Sales nor Events Planning is officially in charge of a client file once a sales contract is signed. This approach was designed for a much less complex workload, where either group would be able to respond to service requests from contracted clients. This is no longer effective, with the result that the client servicing task does not always progress as smoothly as either Sales, Events Planning, or the client would desire.

The lapse between signing the contract and the first meeting with Events Planning could range between a few weeks to ten or eleven months, as some contracts are signed a year before the event. This long lead-time, combined with the method of assigning non-convention files to Events Coordinators two weeks prior to an event, has created a time period where neither group is officially "in charge" of the client file.

Client questions and requests for additional information or site tours tend to be directed to Sales, the client's most recent contact. This reduces the available time for Sales Executives to pursue new opportunities and generate increased business. Assigning this client servicing task to Events Planning would create a significant increase in workload, on a department already stretched. Yet it is a service role, one which should be placed within the Events Delivery Services Department. Restructuring the Events Planning Group, with re-allocation of staff duties, would be necessary to transfer this client servicing task and to close this service gap.

RECOMMENDATION

- 5.3** Move the HCC client servicing tasks, after a sales contract has been signed, to the Events Planning Group. Restructuring of Events Planning's current duties and reassigning personnel would be required to effectively accommodate this transfer of responsibility.

C. IN-HOUSE VERSUS CONTRACTED SERVICES

HECFI uses contracts to deliver certain ongoing and occasional services. An assessment of the current and potential areas of contracted services is provided for those areas having a significant strategic or financial impact.

1. Food and Beverage:

Within the conventions industry, clients perceive a quality and service advantage for facilities that operate their own in-house catering service. This preference appears to be based on a belief that greater control over the product is possible. The HCC food and beverage service has been cited by clients as one of the benefits they appreciate at the facility. Beyond contributing to client satisfaction, this service is also profitable, providing \$661,685 or a

contribution margin of 23.1% towards HECFI operating expenses.⁴ This suggests that HCC food and beverage operations should continue to be carried out in-house, for both strategic and operating reasons.

Copps food and beverage sales are contracted out through Volume Concessions, a contract that expires in 1992. No strategic reason exists for HECFI to consider moving Copps concessions to an in-house service. It is less critical to client and patron satisfaction than at HCC, with internal control over the product being correspondingly less important.

This is a low risk contract, providing control where needed and revenue at a good margin, without the capital costs or managerial costs related to in-house production. Commissions are earned on a sliding scale based on gross concessions sales, with a minimum of 29% and a maximum of 38% being paid to HECFI. According to a survey carried out by a competitor arena, this scale is the strongest of those arenas having a contracted concessions service. The terms of the contract also provide HECFI with an "approval right" over menu prices and permits Finance & Administration to carry out an annual review of the concessionaire's accounting methods and records. The first right is important to ensure that maximum revenue is earned, and the second right provides assurance that all sales are properly reflected.

⁴ 1989 Food & Beverage Sales of \$2,859,590. 1989 Food & Beverage Kitchen and Banquet expenses of \$2,197,905. (includes food, salary, wages, and all related supplies). Note that the margin of 23.1% was an improvement over 1988 results of 17.6%.

When the contract expires in 1992, the financial impact of moving this function in-house should be assessed, but only if the current contract terms are significantly altered. Given that higher staffing attention, higher capital costs, and higher risk would be assumed, and given the higher priority of other organizational changes, this should be a low priority consideration.

RECOMMENDATION

5.4 Food and beverage operations should continue to be carried out in-house at HCC, with these services being extended to Hamilton Place, based on availability and suitability. When the Volume Concessions contract for concession services at Copps re-opens, consider studying the costs and benefits of assuming an in-house service at that time, if the offered terms are not as beneficial as the current contract.

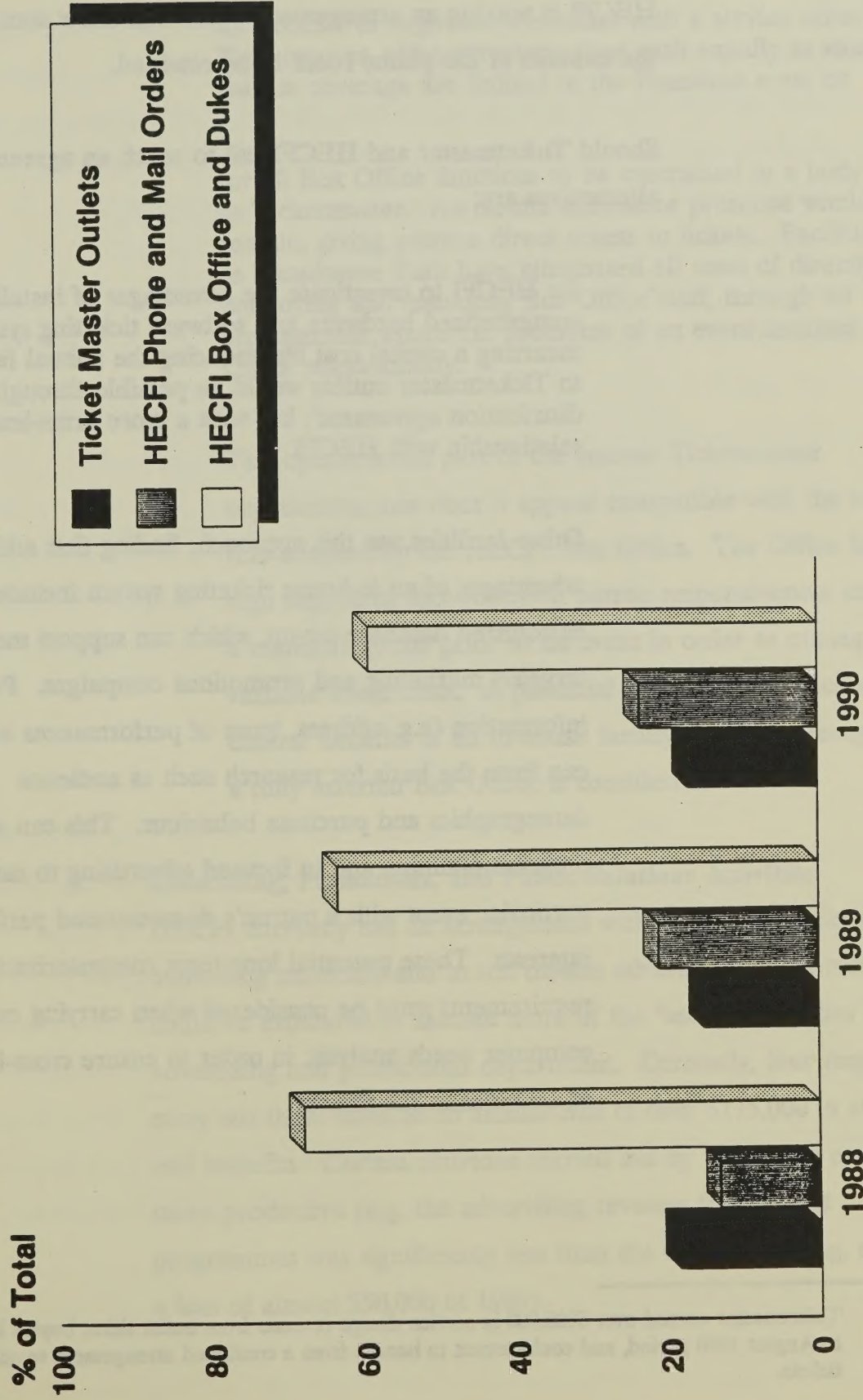
2. Box Office:

HECFI contracts the Box Office function of off-site sales to Ticketmaster. This agency supplies the ticketing hardware, software, and ticket stock used for all Box Office functions. At a cost of less than \$50,000 per year, HECFI avoids the capital costs of buying a computer system plus gains expanded access to customers.

These terms and conditions are expected to change during the renegotiation of the contract. Ticketmaster is seeking greater access to ticket sales, specifically by taking over the phone room function that currently earns HECFI almost \$50,000 in profit per year. As shown in Exhibit 5.2, the portion of sales occurring through the phone room is increasing, enhancing the value of this activity.

EXHIBIT 5.2

DISTRIBUTION OF TICKET SALES BY LOCATION



HECFI is seeking an arrangement which will allow some or all of the benefits of the phone room to be retained.

Should Ticketmaster and HECFI fail to reach an agreement, the alternatives are:

- for HECFI to investigate the advantages of installing its own computerized hardware and software ticketing system, incurring a capital cost but reducing the annual fee. Access to Ticketmaster outlets would be possible through a distribution agreement⁵, but with a more arms-length relationship with HECFI.

Other facilities use this approach, finding that added advantages of an in-house ticketing system include customized database set-up, which can support more highly targeted marketing and promotions campaigns. Patron information (e.g. address, types of performances attended) can form the basis for research such as audience demographics and purchase behaviour. This can assist in program planning and in focused advertising to match a particular event with a patron's demonstrated performance interests. These potential long-term computerization requirements must be considered when carrying out a HECFI computer needs analysis, in order to ensure cross-integration of activities in the future;

⁵ Ticketmaster earned over \$100,000 in service charge revenue from outlet ticket buyers in the January to August 1990 period, and could expect to benefit from a continued arrangement to sell off-site tickets.

- for HECFI to negotiate a contract with a service other than Ticketmaster, although alternatives with equally as strong market coverage are limited in the Hamilton area; or
- for all Box Office functions to be contracted to a body such as Ticketmaster. An on-site contractor presence would remain, giving patrons direct access to tickets. Facilities such as Lansdowne Park have eliminated all costs of directly employing and managing Box Office staff, through an arrangement where the promoter of an event assumes all Box Office responsibility.

This option is not part of the current Ticketmaster negotiations, nor does it appear compatible with the service role adopted by the HECFI Box Office. The Office has a high degree of night-of-event patron responsiveness and plays a monitoring role prior to an event in order to manage variable event costs. A potential decrease in service and cost control benefits of an in-house facility should be recognized if a fully external Box Office is considered.

3. Advertising, Promotions, and Public Relations Activities

HECFI currently has an arrangement with an agency to develop marketing materials and to sell on-site advertising. This relationship could be expanded to assume more of the "technical" duties of the advertising and promotions department. Currently, four employees carry out these tasks at an annual cost of over \$175,000 in salary and benefits. Certain activities carried out by this group could be more productive (e.g. the advertising revenue from house programmes was significantly less than the cost of printing, creating a loss of almost \$50,000 in 1989).

Given the significant cost of these resources and the apparently unrealized potential, a specific assessment of the tasks carried out in this department should be undertaken to identify areas which could be contracted out. Such areas should be those which:

- require specialized skills or equipment;
- benefit from economies of scale; or
- do not require internal control to meet delivery or quality expectations.

As noted in the Organizational Structure section, there will be a continued need for at least one or two employees to carry out corporate and facilities promotions and in-house activities. Internal tasks should focus on providing quality control; planning objectives and campaigns to enhance event attendance and increase target market awareness; improving public relations; and preparing bids for major competitive events.

RECOMMENDATION

- 5.5 Investigate the costs and benefits of contracting out a portion of the Advertising, Promotions, and Public Relations functions, particularly in areas where technical skills could be purchased at less cost than retaining in-house staff. Ensure that the services contracted out can provide an appropriate level of responsiveness and co-operation with the Sales component of the Marketing and Sales Department. Retain an in-house presence for overall promotions planning, public relations, and quality control of contracted services.**

4. Building Cleaning and Security Services

In similar facilities, no clear trend was identified concerning the use of contracted versus in-house cleaning and security operations. All HECFI contracts are purchased through a competitive tendering process, against specific tender requirements. One full-time Security/Cleaning Supervisor is employed at Copps to ensure that contracted requirements are met and to supervise part-time events-related security staff. This activity is carried out at HCC by the Operations Manager, and at HP by the Front of House Manager. Under the recommended organizational structure, this Supervisor would be responsible for all three facilities and would report to the Building Operations Manager.

Cleaning is Contracted: Building cleaning is an essential customer service for HECFI facilities. This is particularly so at HP and HCC, where clients and patrons are either in the building for long periods of time or expect a particular standard.

HECFI contracts the building cleaning and janitorial requirements for all three facilities, at a cost of just under \$375,000. The contract requirements are clear and specific, with provisions for supervisory staff to be assigned exclusively to particular buildings, allowing a good level of control by HECFI. Cost effectiveness could be reviewed, based on a simple comparison with the Metro Toronto Convention Centre⁶, a facility with similar quality expectations for its cleaning services.

⁶ While dollar comparisons are not available, MTCC employs 15 cleaning staff for a 256,210 square foot facility versus 39,000 cleaning hours specified in the HECFI contract for the 224,508 square feet at HCC and Copps. Based on a 40 hour work week, the HECFI contract provides the equivalent of 19 fulltime cleaning staff for two facilities with a smaller combined square footage than MTCC.

RECOMMENDATION

5.6 The contractual arrangements for building cleaning and security should be continued. Carry out a review of the cleaning requirements of the three facilities to determine whether the contracted cleaning hours for Copps and HCC are excessive.

Building Security is Contracted, Event Security is Staffed: All three facilities represent a significant capital investment in building and equipment costs, justifying the necessity of 24-hour daily security services. Such services are contracted for Copps and HCC at a cost of \$232,000, providing coverage for 17,520 hours per year. This covers insurance, staff supervision and related administrative overhead, and employee benefits and related costs. A minimum of ten guards are required for the two buildings. HP security is partially provided by a HECFI employee. Adding this responsibility in the building security contract should be considered.

Again using MTCC as a comparator, fourteen security staff and supervisors are employed at the one facility, to provide similar building security services for one building. On this basis, the HECFI contract appears to be reasonable.

Additional security staff are necessary during both events set-up and performances. The client may specify required numbers or may request additional security. These services are generally offered through part-time staff or through additional use of the contracted security, and are charged back at cost to the client. At present, there appears to be no cost or effectiveness benefit in altering these arrangements.

RECOMMENDATION:

- 5.7 Investigate the viability of including all HECFI building security needs under one contract, and eliminate the current HP building security position.**

D. COMMUNICATION STYLE AND METHODS

A number of morale and service problems were evident during this audit. These problems stemmed largely from poor communication styles. Lateral communications, for the most part, are effective, with the major difficulties being related to top-down communications from the Board and some senior managers, as follows:

- poor methods of notifying employees of changes affecting employees' responsibilities or reporting relationships, with "the grapevine" often proving to be a stronger source of information;
- a widely-held perception that the CEO and Board disregard input from all but a select few employees; and
- inadequate communication of non-routine issues or decisions made at the Board or Committee level that affect a number of departments.

The impact of these problems is reviewed in detail on the next few pages.

1. Notifying Employees:

Poor official notification of organizational changes over the past year, combined with no or inadequate explanation of the reasons for such changes, have increased the distrust felt by employees towards management.

In this setting, where there is a high reliance on the quality of personal service, staff morale and commitment to HECFT's objectives should not be jeopardized by disenchantment created by inappropriate communication. An increased awareness by senior

management of the impact of their poor communication styles should be demonstrated by the adoption of more effective practices.

2. The CEO and Board's Attention to Input:

While the CEO has expressed his belief in an "open-door" communication style, many employees feel that this policy is not applied equitably. A number of employees have experienced greater access than was possible with the previous CEO. In contrast, there are others who feel that access to the CEO is discouraged. These mixed responses seem to be well-known within the employee ranks, creating a certain level of suspicion about the reasons for this variable access.

Discontent was particularly strong when organizational changes made without employee input had a negative impact on effectiveness, efficiency, or the external service image. As an example, all three elements suffered when the Copps Sales Executive's office was moved from the Copps building to HCC. Smooth, timely communication patterns with other key Copps personnel were disrupted and meetings with clients at Copps became awkward since reference materials were located at HCC. A second recent change involved moving this Sales Executive's office to Hamilton Place, a move which has not resolved the original problems, and has created a view that the original concerns were either not recognized or ignored. The disruption tends to be attributed to the CEO, whether rightfully so or not.

3. Board and Committee Communication:

The new Committee structure has changed the traditional routes for communicating Board decisions that affect activities and employees.

At the time of this audit, a number of problems were associated with poor internal communication of such decisions. The Marketing and Sales Committee seemed to have the greatest difficulty in adjusting to the new communication requirements, particularly when a decision would affect activities beyond the Marketing and Sales Department.

One example involved the Box Office, with a Marketing and Sales Committee decision to sell tickets at HCC during training rounds for a boxing event to be held at Copps. The full nature of the decision was not officially communicated, giving the impression that this was to be trial activity on one day rather than a Board-sanctioned activity for the entire week. No sales occurred on the trial day and the service was discontinued. When a Board member attended the training round and saw the lack of a Box Office presence, he notified HECFI that a presence was required. This demand caused last minute scheduling changes, as well as an unnecessary tension between Board and staff.

As the new Committee structure has now been in operation for almost ten months, some of these new communication requirements may be resolved. If not, a more formalized and automatic notification process may be needed when a Committee or Board decision requires a specific organizational response.

E. ALLOCATION OF DUTIES

Some less critical tasks have been assigned inappropriately, either due to insufficient consideration of the efficiency impact when a change was instituted or due to a continued use of outdated practices. While these may not have a major impact on costs, some of these present an image of poor planning by senior managers, which affects their credibility in other areas. Two examples are provided.

A recently revised method for Board members to reserve event tickets involves at least three staff, creating a situation where inaccurate information may be provided or excessive time may be required to process a request. There appeared to be no operational reason for changing the previous method, where two people were involved. This process could be simplified by adopting a "direct reservation" approach where the Box Office Manager or Supervisor is contacted directly by the Board member or City Alderman. This would release other staff from the time involved in this task and would eliminate errors in the transmission of information.

A second example refers to the use of practices that are no longer viable. Events Planning personnel at HCC carry out some duties that distract them from actual events planning and follow-through. Tasks such as conducting accounts receivable duties for clients who must pay forty-eight hours in advance of the event, cause the Events Co-ordinators to change their role in the midst of a client relationship. This is particularly difficult if the client does not pay promptly. In other convention centres, this collections role is carried out by Finance or Accounting personnel. While the rationale for the HCC approach is to minimize the number of people that the client must see, the addition of a finance person for this particular step is unlikely to create confusion.

As a Finance Officer is currently assigned full-time to HCC and is physically on-site, the transition could be handled smoothly, with the Events Co-ordinator informing the client that this task would be carried out by the Finance Officer. This would permit the Co-ordinators to concentrate on the last-minute planning details and would eliminate an added level of funds handling. Post-event tasks, such as invoice review and statistics preparation, could be carried out more efficiently with computerization, an option discussed in the Costs and Productivity section of this report.

RECOMMENDATION

- 5.8 Reassign some operational duties where excessive funds handling or staff involvement exists. When instituting procedural changes, recognize the impact on operational efficiency, to ensure that the new practice does not add an unnecessary layer of employee involvement or record-keeping.**

F. CONFIDENTIAL ISSUES

The treatment of confidential issues within HECFI is neither consistent nor appropriate. An excess of internal activities and decisions are termed "confidential", with some being inappropriately labelled. This is problematic when employees need the information in order to effectively carry out their functions, particularly in cases where the employee works with similar confidential information, in any case, as a routine part of their regular duties. (e.g. the nature of tentative events booked at Copps by senior management may be termed as "confidential" making it difficult for

the Sales Executive to determine the set-up implications on events to be booked before or after the confidential event.⁷⁾

Employees tend to respect the need for confidentiality, but perceive that the use of the term is inconsistently applied, creating a lack of credibility in the true confidentiality of a matter. Some "confidential" items, both those that should or should not be so labelled, have become the basis for internal rumour. Morale suffers, as the perception exists that the label is used as a means of selectively withholding information from some employees who should have access. When an employee has been told that details of an issue are confidential, they question the true motive of this label when they subsequently learn the details through "the grapevine". Questions are also raised by the poor example towards confidential issues set by the senior levels of the organization including the Board of Directors, an issue discussed earlier.

Without credible treatment of confidential issues at the top levels, and greater care in the use of the term, it will prove difficult to expect an improvement in the attitude and effectiveness problems created by the current attitudes towards confidentiality.

⁷ Note that all tentative bookings made by the Sales Executive are considered to be confidential, until a booking contract is signed. This occurs for a number of reasons, e.g. as a service to a promoter who may be planning a mass announcement of a concert tour.

VI. FINANCIAL RESULTS

This section reviews HECFI's recent financial performance and the impact of below-cost rentals on subsidy requirements. It also identifies some revenue generating opportunities and emphasizes the significance of revenue maximization, as cost reduction opportunities are limited.

A. ALL OF THE HECFI FACILITIES RECEIVE A CITY SUBSIDY

Municipal subsidy for HECFI exists in several forms:

- direct subsidy through an annual operating contribution, which in 1990 was budgeted at \$2.6 million;
- indirect subsidies through waiver of property taxes and payment of almost \$3 million per year in debenture interest on the buildings; and
- no charge backs for energy costs, estimated at \$750,000 for 1990.

Since the City owns the buildings and will benefit from any property value increases, this audit concentrated on the operating subsidy only.

One of the four mission statement objectives for HECFI is to reduce and eventually eliminate City subsidies. City Council has directed HECFI to reduce its subsidy requirements for 1991 by 10% from the 1990 level. This is three times the size of the largest subsidy decrease previously experienced by HECFI, in the 1988 fiscal year.

While this direction has merit in focusing greater attention on productivity increases, cost reductions, and strengthening of management practices, a focus is also needed on methods for HECFI to retain or build its competitive position to meet its broad mandate. Without attention to industry expectations, the service standards, and the practice of providing HECFI facilities below cost to community groups, economies may primarily be gained at the expense of customer satisfaction.

This section will evaluate various measures of HECFT's financial performance and will assess several subsidy considerations. Specifically, the following will be reviewed:

- Performance Trends
- Trends in Municipal Subsidy
- Financial Performance Relative to Selected Comparator Facilities

1. Performance Trends:

Exhibit 6.1 illustrates the revenue, expenditure, and subsidy levels at HECFI for the past five years. The average annual percentage increase for each of these categories is as follows:

Revenues 8.2% Expenditures 10.4% Subsidy 1.7%

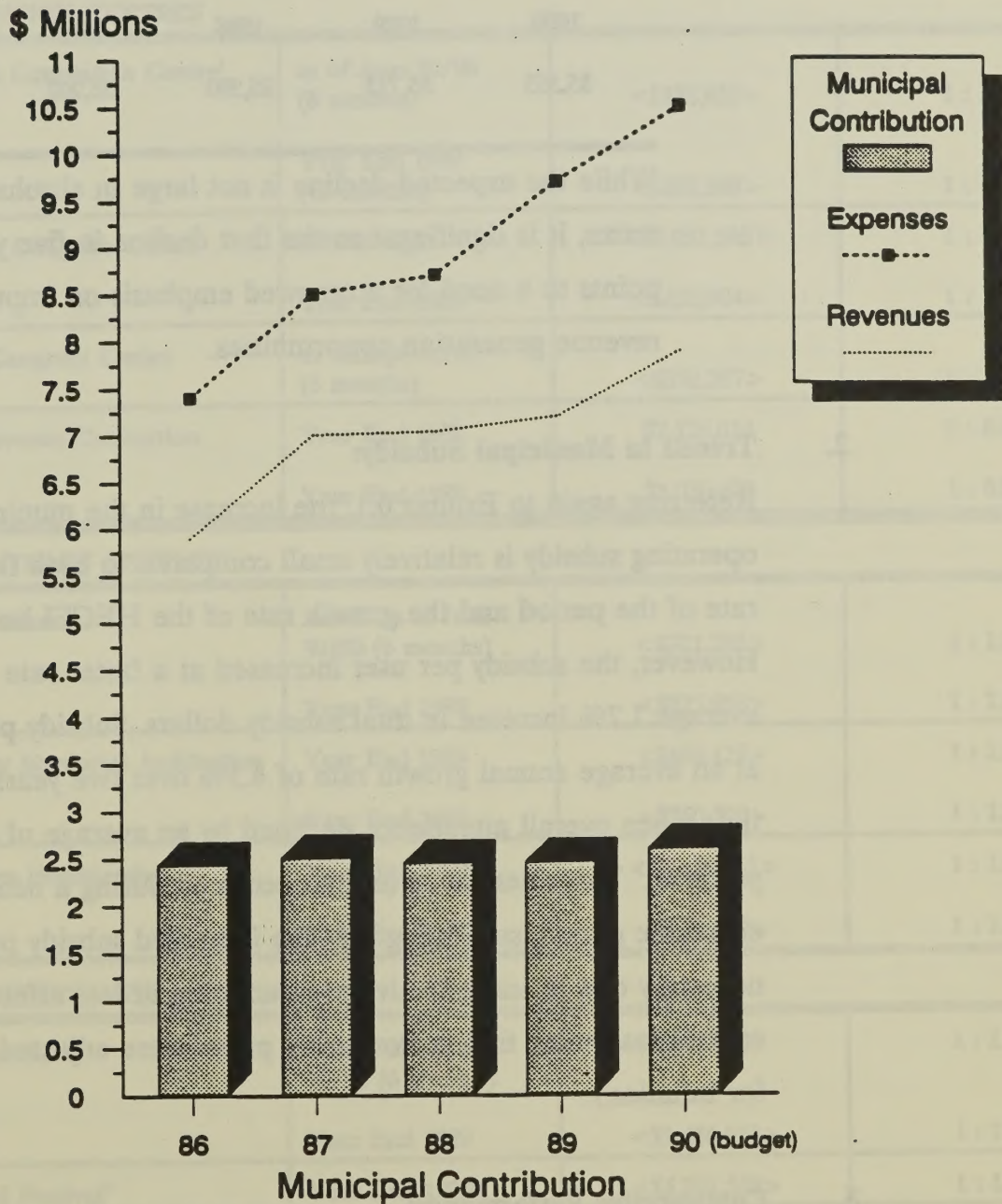
Given inflationary pressures during the last five years, this relatively low increase in dependency upon City funds could be seen as a positive performance trend. Some performance difficulties are, however, evident by the trends noted below:

- *Revenue to Expense Ratio:*⁸ The average increase of 2.1% per year over the past five years, illustrates that overhead costs to provide service has increased at a faster rate than the increase in revenues generated by these services. Most of this growth occurred in 1989, with the ratio increasing by 9% over 1988.
- *Revenue Per Event:* The revenue earned per event increased steadily from 1986 to 1989 with growth exceeding inflationary levels in 1987 and 1988. This year, however, lower than

⁸ This ratio illustrates the amount of expenditures for every dollar of revenue (e.g. 1 : 1.32 indicates that expenses of \$1.32 were required for every dollar of revenue generated).

EXHIBIT 6.1

Municipal Contribution Has Increased At A Slower Rate Than Revenues Or Expenditures



Revenue:					
Expense:					
Ratio	1 : 1.22	1 : 1.22	1 : 1.23	1 : 1.34	1 : 1.32 (budget)
Subsidy					
Per User	\$2.02	\$1.68	\$1.63	\$2.17	\$2.37 (budget)

expected revenue performance at HP and Copps will result in a slight decrease of 3% from 1989, as shown below:

Average Revenue Earned Per Event				
1990	1989	1988	1987	1986
\$5,555	\$5,725	\$5,590	\$5,202	\$4,551

While the expected decline is not large in absolute dollar terms, it is significant as the first decline in five years. This points to a need for a renewed emphasis on improving revenue generation opportunities.

2. Trends in Municipal Subsidy:

Referring again to Exhibit 6.1, the increase in the municipal operating subsidy is relatively small compared to both the inflation rate of the period and the growth rate of the HECFI budget. However, the subsidy per user increased at a faster rate than the average 1.7% increase in total subsidy dollars. Subsidy per user grew at an average annual growth rate of 4.3% over five years, during a time when overall attendance declined by an average of 80,000 users per year. This attendance decline occurred during a healthy economic period, suggesting that the increased subsidy per user was necessary due to less effective programming or less effective cost control (assuming that patron ticket prices were adjusted each year for inflation).

3. Comparative Performance:

Based on comparative facilities, as shown in Exhibit 6.2, HCC has a much better revenue to expenditure ratio than comparable "second-tier" Convention Centres we reviewed; Copps has been improving

EXHIBIT 6.2

FINANCIAL PERFORMANCE - COMPARATOR FACILITIES

Facility	Time Frame	Operating Surplus or < Deficit >	Revenue:Expense Ratio
CONVENTION CENTRES			
Hamilton Convention Centre ¹	as of June 30/90 (6 months)	<\$138,855>	1 : 1.07
	Year End 1989 (12 months)	<\$202,368>	1 : 1.05
Winnipeg Congress Centre	1989 Budget	<\$1,051,560>	1 : 1.21
	Year End 1988	<\$658,904>	1 : 1.12
Ottawa Congress Centre	as of Sept 30/90 (6 months)	<\$378,267>	1 : 1.15
Metro Toronto Convention Centre	Year End 1989	\$2,126,014	1 : 0.89
	Year End 1988	\$1,038,698	1 : 0.94
ARENA/TRADE CENTRES			
Copps Coliseum	Actual as of June 30/90 (6 months)	<\$321,285>	1 : 1.28
	Year End 1989	<\$825,956>	1 : 1.48
Kitchener Memorial Auditorium	Year End 1989	<\$486,125>	1 : 1.15
	Year End 1988	<\$560,306>	1 : 1.26
Edmonton Northlands	Year End 1989	<\$1,458,615>	1 : 1.04
	Year End 1988	<\$109,697>	1 : 1.00
PERFORMING ARTS			
Hamilton Place	Actual as of June 30/90 (6 months)	<\$602,640>	1 : 1.76
	Year End 1989	<\$1,436,912>	1 : 1.85
Stratford Festival ²	Year End 1990	<\$5,201,528>	1 : 1.36
Centre in the Square ³	Year End 1989	<\$1,054,366>	1 : 1.30

¹ all HECFI facilities reflect the allocation of corporate revenues and expenditures

² Total deficit reflects the total government contributions and estimated corporate/private donations

³ Includes \$100,000 contribution to capital reserve funds.

but could strengthen its position; and Hamilton Place has a weak relative financial position. It appears that Copps Coliseum and Hamilton Convention Centre are generally within range of similar organizations but Hamilton Place is highly subsidized on a comparative revenue to expenditure basis. Efforts will clearly need to be focused to improve revenues at both Copps and Hamilton Place.

These observations reinforce the need to implement sound management practices to expand revenues and to minimize unnecessary expenditures. However, an inordinate attention to expenditure and subsidy reduction, without considering its context, could lead to unrealistic and potentially harmful management decisions that threaten HECFT's operational sustainability.

B. BELOW-COST RENTALS

A Special Events Subsidy Reserve Account allows for explicit tracking of part of the subsidy to support community not-for-profit groups. There is also a hidden support component, reflected in the operating deficit.

Comments on these costs, as well as the need for enhanced presentation of information on the subsidies, are presented below:

1. Special Events Subsidy:

A Special Events Subsidy Reserve Account receives annual funding from the City - \$125,000 in 1990 - to provide HECFI with funds to subsidize rentals and events charges. In this way, the City is directly supporting HECFT's mandated objectives.

As of July 31, 1990, the Board had supported requests to subsidize 19 events in 1990, which resulted in the following proportional distribution of committed and actual funds:

HCC - 64.2%

Copps - 18.5%

HP - 17.3%

This fund is established to support community groups and activities (e.g., City of Hamilton Ringette Day; Choralfest '90) or to attract major events that could generate substantial economic spin-offs or future events (e.g., the Canadian Society of Association Executives Annual Conference). However, criteria are needed to direct decision-making on the distribution, fairness and completeness of fund allocation.

2. Favoured Rates:

Both not-for-profit and private sector, for-profit organizations receive favourable rental rates for the use of HECFI facilities, in an effort to meet HECFI's founding objectives. These rates are applied as a result of policy or standard practice, separate from the Special Events Subsidy requests.

Reduced rate schedules for HP and HCC are clearly stated, while rental reductions appear to occur at a more ad hoc level at Copps (e.g. a \$5,500 building fee reduction for a Bocce Ball Tournament related to Festitalia was provided in the licence agreement.) While such reductions may be in line with HECFI's mandate, a clearly established policy should be in place to simplify decisions, to aid in delegating decision-making, and to assess when and where to place a cap on subsidized rentals.

The reduced rental rates offered by HECFI deserve specific recognition by City Council when considering subsidy requirements.

For instance, a significant subsidy is being provided to the owners of the OHL hockey team, the Dukes of Hamilton, to provide a hockey presence at Copps. As the attendance tends to be low at each game, the revenue being realized at Copps Coliseum is well below the direct cost of operations for these events.

A flat fee rental approach is also a form of support to community groups. The stage rental rates for the Great Hall at HP are in the \$1,925 - \$2,310/day range, depending on the stage format.

Commercial organizations pay the greater of this fee or 11% of gross ticket sales, (net of the nominal Capital Improvement Fund ticket surcharge), while not-for-profit groups such as Opera Hamilton and the Hamilton Philharmonic Orchestra pay the flat fee independent of sales. Successful commercial productions can generate significantly higher revenue for HECFI using the percentage of sales formula.⁹

Another form of favoured rates are the "reduced items" (e.g. no charge for piano use, reduced rate for a meeting room to be used as a conference organizer's on-site office) provided as a marketing tool to attract HCC clients. These are seen as a necessary cost in order to be competitive in attracting conferences and the corresponding economic spin-offs. As these reductions represent a decrease in revenue without a corresponding decrease in costs, they affect the deficit and the subsidy requirement.

⁹ Exclusive of event charge recoveries

: Burton Cummings, June 7, 1990 generated \$6,578 in rental, box office, and other fees.

: Hamilton Philharmonic Orchestra, June 5 & 6, generated an average of \$3,800 per performance.

: Geritol Follies, June 18 - 29, generated an average of \$1,908 for each of 12 performances.

By offering reduced rental arrangements and small incentives HECFI is successfully meeting its mandate to provide a cultural venue for local performing arts groups and to offer diversity in programming. A portion of HECFT's subsidy requirement is a result of these mandate-related arrangements. This increases the challenge associated with meeting the Board's direction to reduce the subsidy requirement for 1991. There is a clear implication that HECFI will have to reduce the number of favourable rental arrangements currently offered to community groups to meet the Board's expectation for subsidy reduction.

3. Need for Improved Monitoring:

The impact of these mission-related financial costs is currently poorly recognized because:

- there is an inadequate base of information to permit reasonable subsidy requirements to be evaluated; and
- the costs are not monitored closely. For example, the costs of the "reduced items and rental rates" at HCC are no longer separately recorded and reported, as the data previously gathered was apparently not being used. When the "Reduced Item" Report was delayed for a couple of months, no inquiries were placed to locate it and the report preparation was subsequently discontinued. The lack of tracking could lead to reduced control over the extent of these reductions, creating the potential for excessive discounting and a reduced awareness of their costs¹⁰. Discounting is generally a sales inducement or policy requirement and sales staff need to be aware in each instance of the relationship between costs and

¹⁰ Based on two months of these reports, the average monthly value of reduced items was almost \$21,700, on average revenue received of \$111,105. Estimating the annual impact, reduced items and rentals could amount to \$250,000 per year, almost 10% of the subsidy received from the City. Many of the reductions were in compliance with policies for rentals by non-profit groups or were standard industry practice (i.e. serial bookings). We were not able to determine whether these costs were accounted for or recorded in any other format.

pricing. Recording these reductions should therefore be a responsibility of the Marketing and Sales Department.

Reporting such costs, as part of an effort to inform the Board and City Council of the subsidy's impact on financial results, could provide a useful perspective for Council when judging whether changes in HECFI's subsidy level or operating direction are justified. An aggregated quarterly or semi-annual update should be adequate to summarize these subsidized costs. Additionally, an annual report on specific economic benefits to the City would also be of value, with a possible subsidy linkage being established, e.g. the subsidy will not exceed, for instance, 5% of the annual economic benefit.

RECOMMENDATION

- 6.1 Re-evaluate the decision criteria applied to requests for Special Events Subsidy, to ensure that subsidies are distributed in a manner consistent with the objectives of this fund and that all HECFI rental reductions are reflected in fund accounting.**
- 6.2 Develop a specific reduced rental scale at Copps Coliseum for not-for-profit groups, as has been developed for Hamilton Place and Hamilton Convention Centre, in order to provide consistency in reduced rental charge practices.**
- 6.3 Compile quarterly or semi-annual summaries of the net costs incurred by providing HECFI facilities to both not-for-profit and for-profit groups at reduced rates. Prepare an annual report indicating the economic impact created by attracting out-of-town and perhaps local area clients and patrons to HECFI. Prepare a quarterly summary of the value of reduced-rate items provided to**

clients as a sales incentive or as a policy compliance. Assign this task to the Marketing and Sales Department to reflect the marketing aspect of these reductions. Provide these reports to the Board and City Council as a basis for identifying the portion of subsidy that is directly related to meeting HECFI's mandate and to position the subsidy request in terms of overall community and economic benefits.

C. REVENUE SOURCES

In general, HECFI has capitalized on various opportunities to generate revenue beyond that from staging of events. Exhibit 6.3 illustrates the main sources of these secondary revenue streams, and indicates the degree that the sources depend on total event activity. These revenue sources generally have few related costs, a point which increases their attractiveness.

Almost \$500,000 was generated from such sources in 1989, a 16.6% increase over 1988. Much of that increase was attributable to a 15-fold increase in display advertising revenues at Copps Coliseum. A revised display advertising policy adopted early in 1989 contributed to this success. The policy change increased the available locations in the building for advertisements, and arranged a contract with an advertising agency to sell the spaces. A 4.7% revenue increase had been budgeted for 1990.

Over 57% of this secondary revenue was generated in the shaded corner of the matrix, where revenue potential depends directly on the quantity of events. Fluctuations in event levels can have a significant impact on these revenue sources. For instance, a decrease in events at Copps in 1989 (95, versus 133 in 1988) was reflected in a 45% decrease in revenue generated

EXHIBIT 6.3

SECONDARY REVENUE SOURCES

Moderate Costs Required
to generate this revenue

- House program advertising
(costs exceeded revenue
in 1989)

- Casual ice rentals,
e.g., non-profit
community size

Minimal Extra Costs
Required

- Private Box rentals
- Display advertising on
arena boards
- commissions on event-
related souvenir sales
- commissions from
suppliers contracted for
client's events needs

- Display advertising at
fixed sites in the buildings
- Advertising on the
fixed portion above
external electronic
display at Copps

Direct ¹

Indirect ²

Relationship Between Revenue Potential and Number of Events

KEY



57% of secondary revenue
comes from these sources

¹ Revenue can only be captured during an event - an increase in events also increases the potential.

² Revenue can be captured at any time. Total number of events may influence the "attractiveness" of HECFI to the revenue source.

by food and beverage concessions revenue and a 56% decrease in souvenir and novelty commissions at Copps.

1. Indirect Revenue Opportunities

There are opportunities to expand HECFT's revenues in areas that are less directly reliant on event activity. Potential sources that some employees identified include:

- *increased display advertising locations in all three facilities:* The current advertising agency contract provides for limited advertising spaces at Copps, and no spaces at HCC or Hamilton Place. The current business climate may hamper an expansion of spaces at this time, however future expansions should be considered;
- *innovative use of meeting rooms and lounges at Copps and HP for activities not related to the main facility:* Meeting rooms and lounges in these two facilities are generally used as media rooms or reception areas linked to a scheduled event. Some large rooms exist with potential rental capability (e.g. four meeting rooms and a board room at HP; the Club Lounge at Copps), yet policies and rates for general rentals have not been established; and
- *greater use of the external electronic message signs at Copps and Hamilton Place:* Rental of short time slots (i.e. 10 - 15 second messages) on the electronic portion of the external message signs could be appropriate for time-sensitive advertisements that are not suitable for fixed display advertising. Requests for this space have been received by HECFT's advertising agency. No policy has yet been established concerning the suitability, standards, and costing for this form of advertising. At a potentially lower cost than display advertising, this medium may be more attractive to some businesses in the current slow economy.

2. Event-Dependent Revenue Opportunities

Event-dependent revenue sources could also be expanded. Options include:

- *increasing the active search for corporate sponsors for specific events, on behalf of promoters:* Some

promoters are willing to pay a local "broker" up to 10 - 20% of the value of corporate sponsorships that are generated locally (e.g. a local hotel may provide reduced room rates to the tour in exchange for advertising; a local sports store may pay for event advertising in exchange for a credit line on the advertisement). HECFI could generate extra revenue, by locating such sponsors on behalf of the promoter. Major sports events or family shows would be the primary targets. Concert sponsorship revenue is less likely, as corporate sponsors are generally arranged at the outset of the tour, rather than locally; and

- *increasing the awareness and appeal of private box rentals for all forms of events:* Private boxes are generally rented by corporate groups, especially for high demand events (e.g. Billy Joel concert). Staff believe that increased promotion of these private boxes to individuals outside the corporate stream could increase awareness levels and public demand.

A stronger emphasis on a promotions strategy is required, to identify specific initiatives and their anticipated costs and benefits. Some of the approaches would involve extra costs (e.g. staff time to locate sponsorships), while others, such as the electronic board advertising, would require minimal extra staff time. However, net revenue increases are possible, in areas that complement HECFI's primary services.

RECOMMENDATION

- 6.4 **Develop a promotional strategy that considers the remaining uncaptured sources of secondary revenue. Conduct an assessment of the potential benefits that can be gained through an increased emphasis on revenue sources that complement the core revenue-generating services at HECFI. Identify the specific staffing skills and costs that are required.**

D. FIXED COST STRUCTURE

Maximizing event activity and the related revenues is essential for HECFI to perform well financially, as there is limited scope to reduce events-related and fixed costs. Particularly for events set-up, there are few labour saving practices or pieces of equipment that can be employed. Fixed costs accounted for 57% of HECFI's budgeted 1990 expenditures, with only 41% of the budgeted revenue being available to contribute towards these fixed costs, after covering event-related variable costs¹¹.

These fixed costs represent full-time salaries and benefits, and the portion of supplies, maintenance, rentals, security and similar costs that are required independent of activity level. While some improvements in efficiency and tighter control of these fixed costs are possible, potential cost reductions are limited by fixed time requirements. The time required to carry out many of these activities falls within a fairly fixed range, regardless of the amount of revenue generated (i.e. building security remains at a constant level; preparing events settlements takes a certain minimum amount of time, with some events being more complex; a Duty Manager or Box Office Supervisor is required to be present during an event regardless of its size). Relying on a reduction of fixed costs as the primary means of improving financial performance is unlikely to be sufficient by itself to realize significant change.

E. PRICE COMPETITIVENESS

The pricing structure does not cover the fixed costs of operating HECFI. However, in setting rental prices and commission levels, HECFI must

¹¹ Based on a series of reports prepared in July 1990 by the Finance and Administration Department for the Finance and Administration and the Marketing and Sales Committees, budgeted fixed costs for all three facilities totalled \$16,097 per calendar day, for an annual total of \$5.9 million (this total excludes the CUP costs which currently are not charged back. Adding these charges would raise the daily fixed costs to \$18,115).

consider not only internal costs, but also the competitiveness of their prices and the purchasing power of their market.

The Marketing and Sales Director recently carried out an informal survey of the rental prices at similar facilities in Ontario and beyond. The results indicated that there was capacity to increase prices at Copps and Hamilton Place, but an increase at HCC would be unwise in the current economic climate. Even with an expected increase, the full annual fixed costs are not expected to be covered if the same level of activity occurs in 1991.

These observations reinforce the need to:

- exploit all possible non-event related revenue opportunities; and
- expand the volume and the "quality" of events, in order to increase attendance and sell activities with high earnings potential.

RECOMMENDATION

- 6.5 Expand the overall emphasis on maximizing revenue generating activities, both through expanding the volume of profitable events and through exploiting non-event related revenue opportunities.**

VII. COSTS AND PRODUCTIVITY

A. IMPROVED METHODS

Inefficient methods and systems can lead to any of the following:

- excess staffing or poor allocation of tasks;
- delayed decision-making;
- reduced service levels;
- costly compromise solutions; and
- increased staff frustration.

This section will focus on those areas where changes in procedures or expectations could alleviate some of the pressures and improve one of the above problem areas.

1. A Lack of Management Information Systems Creates Inappropriate Labour-Intensive Methods:

Introducing a greater degree of computerization could reduce the labour intensity of a number of administrative and clerical processes

HECFI has a low level of computerization, both in the amount of hardware available to staff and in the type of software applications. HECFI relies on the City's M.I.S. Department for technical and software support. There is no internal corporate-wide computerization plan or designated resource person, although this task has been assumed informally by the Senior Finance Officer.

Benefits of computerization can be found in the Box Office, where a computerized ticketing system provides useful data for the managerial control of variable labour costs. Sales activity is automatically recorded in a database, allowing fast and ready access

to sales data. Marketing, promotions, and staffing can be reduced or increased in anticipation of the expected sales level.

Greater levels of computerization would be beneficial for all areas which must produce activity reports as a basis for further decision-making. Professional and clerical time to count, calculate, and record statistics could be minimized, freeing up time for other activities which currently receive reduced attention.

The impact of these pressures is particularly evident in Sales and Events Planning at HCC, and in Finance and Administration, as discussed below:

Sales and Events Planning - HCC:

From the beginning to the end of the Sales - Events - Delivery cycle, accurate and timely notification forms are prepared, as a means to ensure that client expectations are met. These forms are prepared manually, creating opportunities for error, duplicated tasks, and time delays, all of which are reported to happen. Exhibit 7.1 summarizes the main areas where computerization potential exists at HCC.

Finance & Administration:

Increased productivity in the Finance and Administration Department could be gained through:

- better integration with the City's computer system; and
- increasing the current number of accounting tasks carried out on personal computer-based spreadsheets.

EXHIBIT 7.1

COMPUTERIZATION POTENTIAL FOR HCC



DOCUMENT/TASK	PURPOSE	CURRENT METHOD	POTENTIAL
1. Booking Confirmation Sheets	• Sales notifies Events Planning of a signed contract • Separate confirmation sent to client by Sales	• both are manually prepared • Booking Sheets can get backlogged at Events	• integrate the two sheets; and/or • network to Events with E-mail for automatic updates
2. Function Sheets and Function Sheet Summary	• one per room used during events to instruct Operations and Banquets of the client's logistical and catering requirements	• each sheet is manually typed by Events • summary is manually prepared and typed • all tasks are currently done by one secretary • in a 1-2 day turnaround, prepare an average of 62 per week	• greater speed and accuracy • Event Co-ordinators could enter details into computer rather than provide handwritten details to the secretary • summary sheet could be produced by importing data rather than retyping
3. Data Review and Statistics	• review invoices and contracts to compile statistics and confirm invoice accuracy	• Events Co-ordinators and Sales Executives review materials and manually compile data	• a computerized database could increase speed and accuracy of data retrieval • could become clerical functions, to allow Sales and Events staff more time for client vs. administrative needs

Integration With The City: Two separate terminals are connected to the City's system:

- one for Human Resources where employee data can be accessed; and
- one to permit purchase order details to be directly input and some, but not all, HECFI accounting details to be viewed.

Neither of these terminals are integrated with the personal computer-based system at HECFI. While this is not a concern for the Human Resource system, it does reduce productivity for accounting tasks. The two primary areas of inefficiency are:

- *an inability to view or access HECFI's Accounts Receivables in the City's system:*
The City now provides a month-end trial balance and receipt vouchers during the month to permit HECFI to maintain an efficient collection policy. Computerized access would permit the same result to be achieved, but with potentially less work on the part of City employees.
- *restricted access to the City's MSA General Ledger system:*
HECFI must manually prepare month-end journal entry vouchers for each account, to be entered by City staff into the general ledger system. Direct input access could reduce this to a single step.

Although some of these integration issues have been reviewed by the City's M.I.S. Department in the past, it would be useful to reconsider ways of improving access to take full advantage of the system's speed and efficiency.

RECOMMENDATION

- 7.1 Create a Task Force composed of HECFI and City accounting personnel to identify processes that could be made more efficient through direct HECFI access to the accounts receivable and journal entry section of the City's General Ledger system. Involve the City MIS Department in reviewing the technical requirements that would be involved. Where practical, extend accounting system access rights to HECFI to permit direct access by HECFI accounting staff.**

Computerized Accounting Tasks: The Finance and Administration department uses Lotus-based computerized spreadsheets to prepare monthly financial statements and activity reports. Many of the reports are integrated, permitting entries in one spreadsheet to update related spreadsheets and accounts. This improves the speed of document production and also reduces the risk of input errors. Computerization could be applied to some accounting tasks which are still carried out manually. This would improve the Department's efficiency by:

- reducing the time required to calculate month-end journal entries;
- minimizing data re-entry into related ledgers or subledgers; and
- eliminating the manual preparation of journal vouchers.

Specific attention should be given to sub-ledgers and cheque registers which are manually prepared, with journal entry totals being calculated at each month-end. This essential task could be achieved as effectively by creating a computerized version of each

sub-ledger. Accounts would be automatically added, while also creating the potential for further integration to update related spreadsheets, where necessary. The journal entry vouchers, if direct access to the City system is not possible, could also be automatically prepared by the computer system, rather than manually, to meet the City's requirements. Hard copies of each month's entries and daily tape backups should provide adequate data protection. This arrangement could be created using the current Lotus 1-2-3 software. A straightforward solution could be developed, although an initial time investment would be needed to ensure the effectiveness of the computerized ledgers.

While this change would be a time-saver, it is difficult to predict whether the impact would be a reduction in staff overtime¹² or an actual reduction in necessary staff. At this stage, it appears change would more likely lead to a reduction in overtime, rather than in staff.

RECOMMENDATION

7.2 Develop Lotus-based spreadsheets to transfer the manual ledger books onto computerized versions. Build in an integration capability wherever possible, to minimize the manual re-entry requirements in linked spreadsheets that use the same data. Ensure that daily tape backup is carried out on these additional files. Develop these spreadsheets under the direction of knowledgeable Finance personnel.

¹² Senior Finance and Administration staff accumulated as much as 40-50% overtime both last and this year. Accounting Clerks frequently work overtime at month-end, taking lieu time later in the month.

Corporate Integration:

Computer deficiencies exist in a number of HECFI areas. To gain the greatest benefits from information technology, a corporate-wide information management needs analysis is required to:

- ensure proper systems integration where beneficial;
- minimize incompatibility of systems between departments;
and
- respond to immediate as well as long-term needs.

While an employee has been given the task of reviewing computer needs for the Marketing and Sales Department, the perspective may be too narrow given the Corporate-wide needs that exist (e.g. the increased benefits of using Copps for large trade shows as part of an HCC conference implies the need for a corporate-wide booking/reservation system, with restricted access rights). Also, the assessment should be conducted by someone with an adequate background to recognize the capabilities of computer systems and options. If in-house knowledge is lacking, the resources of the City's M.I.S. department should be used.

RECOMMENDATION

- 7.3** Develop a corporate-wide M.I.S. strategy to improve the efficiency of data management systems. Conduct a corporate-wide needs analysis in order to develop a solution which will allow internal compatibility and future growth, as well as meeting the most immediate current needs. Involve the key users through a Task Force to ensure that departmental needs are fully identified and reflected. Where practical, co-

ordinate with the City's M.I.S. Department to ensure that the technical options are fully understood.

2. Information Flows on Scheduled Commitments Affect Efficiency

While some productivity issues are attributable to insufficient levels of computerization, others result from poor internal methods of communicating information among operating staff.

Priority attention should be directed to the flow of information among HCC Sales; Events Planning; and Banquets and Kitchens. Three areas which affect the efficiency of information flows within HCC, are as follows:

- departmental liaison between Sales and Events Services is inadequate;
- tight lead-times place high burdens on the response capabilities of events delivery staff; and
- confirmed client attendance is received 48 hours prior to an event.

Liaison Between Departments:

Insufficient formal liaison and communication occurs between the "promise" stage and "delivery" stages of the service cycle, as regular, formal meetings which include both Sales and Events Delivery employees at HCC do not occur. Inadequate awareness of the operational impact of sales commitments or of cross-facility corporate promotions can occur as a result of this gap.

Under the current informal system, the impact of the HCC events delivery requirements is reviewed either too late into the planning stage or too close to the timing of the event for significant changes

in event design to occur. Consequently, the events delivery staff must work harder to deliver each obligation or must compromise on economical solutions to meet the promises made to clients.

Formal inter-departmental liaison could be achieved in a number of simple ways. One model is to adopt the weekly meeting of managers held at one of the comparator convention centres we reviewed, where all tentative sales bookings from the prior week are discussed between sales and operations. This meets two objectives:

- obvious operational problems can be identified soon enough that a change can be made to the sales commitment without great damage to client relationships; and
- the events delivery personnel are sufficiently informed of upcoming events to develop a longer-term orientation in their scheduling and planning tasks.

An additional liaison device that has value is a system of "sign-offs" where non-routine or complex sales commitments or marketing initiatives require recognition by the other two departments before final plans can be approved and implemented with clients. This suggests a rapid sign-off will be needed, to permit adequate responsiveness to client needs and to assure bookings for the requested dates and formats.

RECOMMENDATION

- 7.4 Establish formal liaison mechanisms at the Manager level to maximize co-operation and integration of planning and decision-making between all three departments. In particular, stronger and earlier linkage between the Marketing and Sales and the Events Services Departments**

can be created through Managerial Planning Meetings and through "sign-off" requirements for non-routine marketing or sales initiatives.

Tight Lead Times:

These mechanisms should minimize major logistical problems, but more specific difficulties are unlikely to surface until Events Co-ordinators determine clients' room-by-room requirements and interpret these through the function sheets, which are distributed the Friday before an event occurs.

Priority should be given to implementing an Events Planning proposal, put forward last year, for a system of earlier client file allocation. Under this plan, Events Co-ordinators would receive non-convention files four weeks rather than two weeks prior to an event. This would permit earlier attention to clients, resulting in more opportunity to develop acceptable solutions to client needs. High levels of co-operation from both Sales and Events Delivery staff, plus the possible use of temporary personnel, would likely be required during the transition stage.

Attendance Confirmations:

Even with the change to a four-week assignment period, a 48-hour attendance confirmation may continue to cause potential problems. Situations where a small expected attendance was later confirmed at a much larger size have created problems where ordered or pre-prepared food was not sufficient, and purchase costs rose or access to more supplies was difficult. Earlier contact with the client (i.e. one week prior) to identify registration trends and likely attendance could reduce instances where drastically different attendance levels

affects the efficiency of events delivery. The staffing implications of this additional contact by Events will be discussed later in this section.

RECOMMENDATION

- 7.5** Increase the lead time for assigning client files to Events Coordinators from two weeks to four weeks prior to an event, to permit greater opportunity to develop more efficient events delivery solutions to client requirements. Provide temporary help to assist in an orderly transition to the longer file assignment period.
- 7.6** Develop a method to determine an event's likely attendance level, to supplement the current 48-hour confirmation requirement. Investigate whether contacting the client to receive an expected attendance figure one week prior to the event would provide an adequate attendance indicator to enhance preparation by Events Delivery staff.

B. STAFF SIZE AND PRODUCTIVITY

A number of Board members expressed concern that the staff complement may be too large for the activity levels, thus contributing to the operating deficit. In contrast, a number of employees cited high overtime levels and high workload demands as being caused by insufficient employee numbers. Both are correct, to a certain degree. Exhibit 7.2 summarizes certain conditions that may have led to these views.

As shown, other recommendations in this report should reduce or eliminate some of these conditions, others are a reality of the business and will likely continue, while the final one should be investigated further. This section will review these in further depth.

EXHIBIT 7.2

CONDITIONS THAT HAVE AFFECTED STAFF COSTS AND PRODUCTIVITY

CONDITION

COMMENT

The hybrid facility/functional structure led to some duplications, particularly at the Director and Manager levels.

Recommended organizational structure should eliminate these duplications.

Union contracts place certain expectations and restrictions on staffing decisions.

By the terms of the collective agreements:

- some positions are guaranteed full-time pay, despite their event-related nature
- The flexibility to use part-time staff in more than one facility may be reduced.

In some areas of operation, e.g. HCC, workload growth has outstripped staff expansion, increasing the productivity but also reducing the effectiveness in these areas.

Increased staffing or an added supervisory level may be needed to return to a realistic balance.

A high part-time component is necessary due to the nature of the industry.

HECFI deals with fluctuating staff requirements by using a large part-time labour pool. Full-time managerial, supervisory, maintenance and marketing/sales staff are needed for continuity.

The Finance and Administration Department has assumed a broad range of responsibilities, yet senior decision-makers are unsure whether all employees in the department are necessary or efficient.

The audit did not observe any opportunities to reduce staff, given current workload. A closer examination is needed of the responsibilities now undertaken as well as HECFI Board and management expectations for Finance and Administration.

As a background, Exhibit 7.3 provides a summary of the staffing levels in each of the current departments at HECFI. A total of 105 full-time positions exist at HECFI, which includes 25 full-time CUP staff.

1. Structural Change:

The changes recommended in Section III - G should lead to a net decrease of three positions, primarily at the Director and Manager level, with a potential saving of approximately \$200,000 per year (see Appendix VI). As well, 22-23 of the 25 CUP positions will be removed from HECFI responsibility. These changes do not reflect staff additions or reductions that may result from other recommendations.

2. Uncertainty About Tasks and Roles:

Much of HECFI's service delivery workload occurs outside the "normal" Monday to Friday work week, particularly in the events delivery areas. Events-related planning occurs during the "normal" work week, while events delivery and supervision is often required during the evenings or weekends. These factors can create an illusion that some positions have excessive downtime or that attendance patterns are inappropriate due to absence during the "work day", leading to questions about the necessity for the role or function.

3. Union Contracts Can Have an Impact on Flexibility:

For some positions, union contracts reduce management's choice or flexibility in scheduling. This is most evident in the IATSE Local 129 located at HP, where five IATSE Department Heads have guaranteed weekly hours regardless of the level of event activity. Work hours during events which are outside the guaranteed times,

EXHIBIT 7.3

COMPARISON OF HECFI STAFF ALLOCATIONS¹ 1987 to March 1990

DEPARTMENT	FULLTIME 1987 1990		PARTTIME ²
CORPORATE:			
Corporate Administration ³	2	4	1
Finance & Administration (includes 6 F.T.Box Office)	17	17	30 - 50
Marketing & Sales (includes HCC Events Coordination)	16	17	
COPPS COLISEUM:			
Administration	4	4	
Events and Operations	8	9	100 - 185
HAMILTON CONVENTION CENTRE:			
Administration	3	2	1
Operations, Banquets, Kitchens	14	16	135 - 190
HAMILTON PLACE THEATRE:			
Administration	5	5	1
Front of House	2	1	20 - 32
I.A.T.S.E. Production Crew	5	5	0 - 30
TOTAL HECFI POSITIONS	76	80	288 - 490
CENTRAL UTILITIES PLANT			
Electrical and Plant	25	25	
TOTAL POSITIONS (excludes long-term vacancies)	101	105	288 - 490

¹ Based on formal organizational charts, but excludes proposed or longterm vacant positions.

² Part-time totals represent permanent part-time employees with regular weekly hours as well as part-time "pools" of employees which fluctuate in size, with some variation since 1987. The majority of the part-time complement represents a variable cost, with employees being scheduled according to the demands of an event. With HCC and HPT unionization, added costs (i.e. benefits for certain classes) and requirements are in place.

³ "Administration" refers to senior management and departmental administrative assistants and clerical employees.

are paid at a double or time and a half rate. This varies from the overtime policy applied to non-union, full-time HECFI supervisory and management employees, where work hours beyond 35 per week are compensated by annual lieu time not to exceed 5 days per year. IATSE's arrangement is not abnormal for the entertainment industry. Revisions to this arrangement would require negotiating this point in future contracts.

Other union restrictions also exist. For example, the titles for the "Head Ice Maker" and the "Arena Attendants" at Copps appear to indicate that these are seasonal and, therefore, part-time positions. Under the union contract, these positions are full-year, full-time jobs. As these skills are critical to produce high quality ice, Copps has reduced the risk of losing these staff and has met its contractual requirements by utilizing the staff for events delivery during the four or five months per year when no ice is used. Given that their roles expand beyond "ice duties", their titles are misleading. It is suggested that more appropriate titles be developed to fully reflect the activities of these positions.

Unionization of the parttime HCC and HP employees may limit the flexibility in assigning these staff. Under the proposed reorganization, all of these unionized employees will be reporting to the Events Delivery Services Department, yet their contracts restrict their use to a specified facility. When the contracts are re-negotiated in the future, efforts should be made to inject greater flexibility into the scheduling options.

4. Increased Staffing May be Required

Two indicators were considered when assessing the staffing level, as follows:

- ongoing overtime requirements; and
- the match between increases in activity levels and staffing levels.

Overtime Levels: A certain amount of overtime is expected and accepted by middle and senior managers, and is recognized by the "five days annual lieu time" policy. However, audit interviews revealed that a number of staff incur much higher levels of overtime to carry out their responsibilities. Those reporting levels of 30 - 50% overtime include the Director of Finance, the Comptroller, the Legislative Assistant/Board Secretary, and the Box Office Manager. Others may also be experiencing this load, although a 1988 report on overtime levels did not provide widespread examples. The main reasons for the overtime levels should be identified to determine if:

- some tasks could be delegated;
- some methods or external expectations could be altered to reduce the workload;
- some temporary help on a one-time or "peak activity" basis would clear up some backlog or reduce the overtime; or
- some overtime would be eliminated as a result of recommendations within this report.

If severe overtime continues after such a review, extra staff may be necessary, generally through the addition of less senior employees.

RECOMMENDATION

- 7.7 Conduct an overtime review, initially on those positions reporting a 30 - 50% overtime load, to determine the causes of the overtime and to determine if a solution other than increased staffing is viable.**

Changes in Activity Levels: Of the three facilities, HCC has experienced the greatest increase in activity level, without a significant increase in staffing levels. For example, the Events Planning staff, with a Manager, two Co-ordinators, and a Secretary, has not increased in size since 1986.

Some of the current productivity and effectiveness problems in the Events Planning group are related to this workload-staffing mismatch, as pressures result in insufficient attention being given to the operational impact of client requests. As shown in Exhibit 7.4, function sheet production has more than doubled, with an increased emphasis on the more complex "conventions" category. The Events Planning group is unlikely to be able to absorb any additional responsibilities, unless changes occur.

Two options exist to respond to these pressures:

- expand the Events Planning staff by adding, initially, one more Events Coordinator¹³. If computerized function sheet production is not implemented, add, at least, one part-time secretary to assist in function sheet preparation; and/or
- revise the scope of the responsibilities assigned to the Events Co-ordinators. Similar to the model used at comparator

¹³ Currently, HCC Events Co-ordinators handle an average of 6 events per week each, with the help of one support staff. This is double the average rate at the Metro Toronto Convention Centre where Co-ordinators have 2 - 4 events per week with the assistance of four support staff.

EXHIBIT 7.4

VARIOUS MEASURES OF INCREASED ACTIVITY LEVELS AT HCC

WEEKLY FUNCTION SHEETS (averaged over the same ten weeks)

1986: average of 27 events/week
range of 13 - 50 events

1990: average of 62.5 events/week
range of 41 - 91 events

ROOM UTILIZATION¹

1989	1988	1987	1986	1985
37%	33%	33%	31%	28%

TOTAL EVENTS AND TOTAL EVENT DAYS

	1989	1988	1987
Total Events	805	753	804
Event Days	319	326	329
Revenue/Event Day	\$11,900	\$9,080	\$8,730

CATEGORIES OF EVENTS

Event	1989	1988	1987
Banquets, Weddings, Receptions	262	281	333
Meetings	209	172	193
Meetings with Food Service	220	200	188
Conventions	37	23	27
Trade Shows	15	16	20
Other	62	61	43

¹ This statistic does not fully reflect activity level as there could be 1, 2, or 3 different functions/day in a room, yet the statistic would show one day of room use regardless of the set-up requirements.

Also, the percentage was calculated on an assumption of 365 days of use per year, which is higher than the industry accepted factor of 271 maximum booking days. Using this industry standard, the actual HCC utilization would range from 38.1% in 1985 to 49.4% in 1989.

facilities, Events Planning would be the primary service contact for clients after a sales contract is signed, responding to service questions, determining logistical needs, room requirements, and light refreshment planning, with specific meal planning being assigned to the Catering group.

Under this last option, some organizations assign the porter staff (those who carry out room set-ups) directly to the Events Planning group, as their activities are totally directed by Events' actions. This option could be considered by HCC, but would require the Events Planning Manager to have or to acquire further experience in this area, in order to properly assess the performance of this staff group.

This last option would also shift all meal and banquet planning details to a Catering Services Co-ordinator who has kitchen and banquets experience, to ensure clients' meal options are fully explored. This would relieve the workload burden on Events Planning, while ensuring that banquet services are appropriate. Organizationally, this role is typically placed in the Catering (kitchens and banquet services) group, rather than Events Planning.

Both of these options require an increase in staff. The size of this increase ranges from one to two people initially, depending upon the approach selected. The work groups affected by this potential change should be consulted to fully evaluate the service and workload implications.

RECOMMENDATION

- 7.8** Expand the Events Planning staff by at least one Events Co-ordinator. Examine options concerning a re-allocation of planning responsibilities, with the possibility of creating a

Catering Services Co-ordinator to plan client's banquet and meal requirements, as a sub-set of the overall event planning activities. Move all client servicing tasks to the Events Planning Group.

Supervisory Levels: Although the HCC activity level and complexity has increased over the past years, the managerial and supervisory levels in the Banquets area has remained the same, with increasing workload expectations being placed on the staff. The Banquets group lacks room-by-room supervision during an event, creating an extra burden on the three full-time Banquets staff who act as Duty Managers during events. By also providing room supervision (e.g. ensuring that assigned staff are present, checking that layouts match client requests), the Duty Managers have less time available to oversee all activities in the building, to respond to last-minute client questions and requests, and to anticipate potential client difficulties.

A senior wait-staff position was being developed before HCC unionization, to delegate room-by-room supervision at multi-room events to one of the working wait staff. Under the union contract, this was considered to be a non-union post, effectively eliminating this supervisory level. Two options exist:

- expand the full-time complement to include a "Senior Wait Staff" level, to assume the room supervision activity at multi-event activities. This position should be a working server position, to maintain staffing levels at events; or
- attempt to renegotiate terms of the union contract on an interim basis, to permit a "room co-ordination" role to be included in the union contract. As the contract was just negotiated in the summer of 1990, reopening the terms at this stage may not be possible.

Resolution of the demands placed upon the Duty Managers is necessary. It is difficult to determine whether the expected improvements in Sales - Events Planning - Events Delivery liaison will be enough to eliminate the event demands. However, an interim solution may be necessary until the organizational benefits are able to filter through to the delivery level.

RECOMMENDATION

7.9 Investigate options to reduce the supervisory demands placed on HCC Duty Managers, particularly during multi-room events. Review the degree to which organizational changes relieve the burdens. Where necessary, consider the viability of returning to the system of "senior wait staff", either as a new fulltime non-union position or as part of the union contract.

5. The Use of Part-time Staff is High By Necessity

Rather than bearing the high cost of a large full-time staff complement, HECFI has responded to the fluctuating labour demand of its activities by maintaining pools of trained, part-time employees in events set-up, banquets, box office, and front of house services. As shown previously in Exhibit 7.3, the full-time to part-time employee ratio (ranging from 1:5 in the Box Office to 1:10 in Copps and HP Events/Front of House) demonstrates a high reliance on these part-time employees in events-related areas.

The use of flexible budgeting, where staff levels are maintained at a prebudgeted ratio of revenue, permits close control of part-time staffing by HCC banquets and kitchens. Close contact with the Box

Office, through a Daily Revenue Report, assists Copps and HP to adjust staff levels, by referring to sales trend reports.

While use of part-time labour reduces HECFI's fixed overhead, there are managerial implications. The part-time employees, in positions such as ticket sellers, waitstaff, ushers, and events security, are HECFI's primary contact with the patrons. As such, the facilities' reputation for patron service is placed in their hands. Their ability to effectively represent the service objectives and interpret the service policies of the corporation are significant responsibilities. To assist this mobile pool of employees to deliver, HECFI needs to provide the following:

- a full-time supervisory position during an event for continuity and accountability;
- clearly defined service objectives and expectations;
- an efficient training package to teach specific duties and to convey HECFI's service commitment to its clients and patrons; and
- specific organizational recognition of service achievements, to reinforce the expectations held of staff.

At present, HECFI is partially achieving this list of requirements. At each facility, a full-time supervisory employee is present in the service areas during an event. As a result, these full-time employees¹⁴ should not be expected to work a "regular" 35-hour work week based on the more typical office model.

¹⁴ The majority of the operations staff (i.e. Copps Events Manager and Assistant Manager, Banquets and Kitchen staff, HPT Front of House) at Copps, HCC, and HPT fit this criteria, as do the Box Office Supervisors and Manager. Many of these staff also work a great deal of overtime, as their managerial responsibilities require attendance at meetings during regular office hours.

In response to the second and third points, managers incorporate the "service attitude" as a hiring criteria, in an effort to simplify the training period. Part-time employee turnover requires annual, at least, recruiting drives. While some part-time employees have a long association with HECFI, there is also a certain portion of "flow-through" staff. This emphasizes the need for clearly detailed policies which capture the service expectation.

Reliance on front-line staff to implement policy changes becomes difficult when these policies appear to contradict the service and efficiency expectation. For instance, the allocation of prime front row seats in "reserve" for purchase by Board members and City Aldermen, has led to patron complaints at the Box Office when these rows are empty, particularly when a patron purchased a ticket soon after the on-sale date and was unable to acquire a prime seat.

Board members and top management should recognize the impact on employees, both parttime and fulltime, who may be required to deal with patron or promoter concerns related to a policy change. Clearly explaining the nature and rationale of the policy would be helpful for staff to present an appropriate, consistent, and acceptable response to the public.

6. Size of the Finance & Administration Department:

Increased staff anxiety and uncertainty has been caused by a widespread Board belief that HECFI, in general, and Finance and Administration (F & A), in particular, are overstaffed.

The previous five sub-sections addressed many of the concerns behind the "general" overstaffing view. This section will provide a

closer look at F & A, a department having 16% of HECFT's fulltime employees and 15% of the salary and wages.

Board member concerns about the F & A staff size, and audit observations about each concern, are summarized in Exhibit 7.5, opposite. Appendix VIII provides a detailed discussion of each of the four areas listed in this Exhibit. A summary of the findings is presented below.

The departmental review did not identify any significant areas where blatant duplication of tasks existed, either within the Department or with the City's Treasury Department. Also, given the current level of responsibilities and expectations placed upon the Department by corporate and operating managers, unnecessary staff could not be identified. Staff size has not increased, rather, staff reallocation within the department has decreased the number of employees dedicated to the finance and accounting tasks.

The primary reasons that this may appear to be an "overstaffed" department in comparison to other organizations, are as follows:

- high public accountability and a variable revenue stream decreases the comparability of this department to either private businesses or the City's Treasury department;
- high corporate expectations and organizational attitudes have created the need for F & A to apply rigorous internal reviews, to carry out extensive reporting, and to adopt a "watchdog" role over operating department's expenditure decisions;
- involvement in the "night-of-event" financial settlements with promoters requires senior level overtime, and could be carried out by other staff with F & A direction; and

EXHIBIT 7.5

MAIN BOARD AND TOP MANAGEMENT VIEWS AND QUESTIONS CONCERNING THE FINANCE AND ADMINISTRATION DEPARTMENT

Views and Questions

*Since F & A is the largest of all
HECFI departments, is it overstaffed
relative to "comparable"
organizations?*

*Are F & A staff involved in
unnecessary activities?*

*Are tasks duplicated between HECFI
and the City's F & A departments?*

*Are tasks duplicated within
the department?*

Audit Observations

- : F & A is currently the same size as Marketing (17 staff) and the same size as its 1987 level
- : the "comparability" of F & A requires consideration of industry reporting standards and management/Board expectations for information provision

- : expectations and issues external to the Department have created extra demands
- : some efficiencies could be gained by increased computerization

- : with the exception of one minor component of the invoice preparation task, no obvious duplication was identified

- : there are various levels of financial review which could give the impression of task duplication
- : there is a cost in maintaining control over funds, in an environment of high public accountability and attention

- high levels of financial and activity reporting create a substantial workload for all levels of F & A staff.

If responsibilities and expectations are reduced for Finance and Administration, overall staffing and cost reductions are unlikely to be substantial. Instead, the large overtime load of F & A Senior managers (currently at levels of 50%) would likely be reduced, and staff time may be able to be diverted to provide some necessary clerical support for the Human Resources liaison role. As Human Resource issues increase in complexity with increased unionization and legislation, and require greater clerical support, the single employee who acts as the Departmental secretary will unlikely be able to respond to all the clerical needs of Finance, Accounting, Box Office, and Human Resources.

RECOMMENDATION

- 7.10 Reassess the roles and obligations of operating managers for conducting financial and quantitative analysis within their respective domains. Reduce the reliance now placed on Finance and Administration for carrying out a "watchdog" function on line-by-line expenditures.**
- 7.11 Revise some minor operating procedures to improve liaison and to eliminate the one identified area of minor overlap with the City's accounting functions. Involve City employees to ensure the appropriateness of the changes, as the tasks to be eliminated would likely be those carried out by the City employees.**

7.12 Assess methods to reallocate Finance & Administration staff time once other responsibilities are adjusted, in order to provide additional clerical support to the Human Resources function.

7.13 Consider transferring the "night-of-events" financial settlement responsibility to the Box Office Manager, with periodic involvement of the relevant Sales Executive or Finance staff, when the expected settlement is large or complex.

C. SALARY LEVELS

Some Board members questioned whether senior salary levels may be contributing to HECFI's deficit. All salary and wage levels at HECFI were closely reviewed in two external studies conducted in late 1986 and early 1989. The original study had the mandate to develop a salary grid structure for the newly amalgamated HECFI corporation, while the second had the objective of meeting pay equity legislative requirements with internal pay consistency.

1. Salary Grid Study

This first study carried out an external salary survey which considered not only local organizations (i.e. the City, Canadian Cannery Ltd.) and general industries (i.e. Laidlaw Waste Systems) but also convention centres, theatres and arenas across the country. At the request of the Board at that time, the study focused more on business than City comparisons, to reflect the Board's efforts to operate HECFI along a business model. A salary grid was developed to reflect the average surveyed salaries, rather than reflecting the extremes. This 1986 study found only two HECFI

senior management positions with salaries higher than the market average - the Director of Hamilton Place and the Director of Copps Coliseum.

2. Pay Equity/Internal Equity Study:

In response to pay equity legislation, an internal job evaluation process was undertaken with the added objective of achieving internal equity. The current salary structure reflects the results of this process, as well as of the external salary survey from the original study. All salary levels that had been higher than the 1986 market averages were readjusted to reflect the appropriate scale. New or redesigned jobs are now re-evaluated using the system introduced in this pay/internal equity process, to ensure ongoing compliance with pay equity and to determine appropriate salary levels.

Senior management salaries appear to be competitively set, based upon these two studies. General compensation practices suggest that there is value in reviewing the competitiveness of salary levels every three to five years. As the last external study was conducted in late 1986, we suggest that a revised study be carried out in late 1991 or 1992, to measure whether competitive and fair salary practices are still in place relative to the marketplace.

Also, given the organizational changes and adjustments being recommended in this report, a re-evaluation of all jobs is necessary, to ensure that current job worth is reflected and internal consistency is maintained. Since fundamental shifts will be occurring in reporting relationships and responsibilities, isolated job re-evaluations would not be adequate to provide a fair assessment. This task would not affect the

salary grid structure, yet it is likely that some positions may drop in the grid while others would rise.

RECOMMENDATION

7.14 As part of an internal compensation strategy, adopt a five-year cycle to review the external competitiveness of salary levels. Based on the timing of the last survey, a new survey should be scheduled for 1991 or early 1992.

7.15 Carry out a job re-evaluation of all positions within HECFI to ensure that pay equity and internal equity are being maintained, once the recommended organizational restructuring is complete.

D. PROMOTIONAL SERVICES

Costs could be reduced without harming service in the Advertising, Promotions, and Public Relations area. At both Copps and HP, employees assist the promoter to create awareness and increase attendance for an event. Tasks include placing ads, arranging interviews, and planning extra promotions in response to sluggish sales. At HP, the involvement is much more extensive and time-consuming, with staff developing entire campaigns, designing and scheduling ads, and sometimes establishing pricing policies. Other than direct costs (i.e. media ad cost), there is no charge-back of this promotional time to the promoter.

Allocating a certain amount of time to this task is necessary, since HECFT's revenues benefit from increased attendance. However, the service provided at HP appears to be high, with three people involved versus only one at Copps. Promotional services should continue, as out-of-town promoters tend to rely on the local knowledge and expect such assistance, especially in second-tier markets. HECFI management now realizes that

some services could be contracted out with a portion of these costs charged back to the client. This approach should not harm the relationship with the promoter, as there has been a shift in the entertainment industry to charge for promotional services. The transition should be managed carefully, however, to ensure that the promoter is aware that high quality standards will continue.

RECOMMENDATION

- 7.16 Initiate a charge-back system to recoup some of the time and costs applied to promotional services at HP. Carefully manage the transition, so that promoters will understand the nature of the change and will respond positively.**

VIII. REPORTING AND MONITORING

A. REPORTING TO CITY COUNCIL

Because the City provides the operating subsidy and other forms of funding to HECFI, City Council and the taxpayers of Hamilton expect a degree of accountability. City Aldermen expressed concern that inadequate information is provided for Council to make well-informed decisions or to know how well HECFI is doing. This is of particular concern when Council is asked to support initiatives with potentially major financial consequences, where the City may need to respond with added financial support. This view of an inadequately informed City Council is supported by some non-politician Board members who felt that City Council does not fully understand HECFI's challenges and requirements.

This situation exists even though eight of the fifteen members of City Council are members of HECFI's Board. The presence of these eight members to maintain an accountability and reporting link with Council does not appear to be effective. One reason for this may be the lack of specific criteria or mechanisms for reporting to Council beyond minimal monthly and annual financial reporting and budget submission.

The challenge is to strike a balance between reporting insufficient information for Council to make informed decisions, versus reporting too much information to the point of overlapping the role of the Board.

Mechanisms to manage this include:

- providing minutes of Board meetings to Aldermen in their agenda package to keep them informed of issues and decisions;
- providing City Council with an orientation session after each election, in order to position HECFI's operations, challenges, and competitive requirements; and

- developing specific criteria for the politician members of the Board to apply when commitments with significant financial implications are being considered by the Board before the HRT.

RECOMMENDATION

- 8.1 Investigate mechanisms to enhance the reporting linkage between the HECFI Board of Directors and City Council, to increase Council's level of awareness of critical issues that are brought to Council's attention.**

B. EXTENSIVE REPORTS

A wide range of reports are prepared monthly for internal managers and for Committee or Board distribution (see Appendix IX). A great deal of information is provided on financial performance and activity levels. While a number of these are routinely produced, others are "special request" ad hoc requests.

There may be opportunities to reduce either the frequency of reporting or the detail, without losing the quality of the information. Exhibit 8.1 presents a series of questions which management could consider, to assess the appropriateness and value of current reports. Action should be taken, as indicated, to ensure that the cost of reporting does not exceed the benefits.

C. CRITICAL PERFORMANCE MEASURES

While much information is available to managers, the value of these details for decision-making could be improved. Two observations are noted:

- 1) HECFI has not fully isolated the key measures and trends which can act as an "early warning system" to indicate effective actions, or declining or poor performance; and

EXHIBIT 8.1

QUESTIONS FOR ASSESSING HECFI REPORTS

**DOES THE REPORTED INFORMATION ADEQUATELY CONFIRM
ACCOUNTABILITY TO CITY COUNCIL AND
THE TAXPAYERS OF HAMILTON?**

*i.e. are there significant gaps in the information currently provided?
Are Aldermen satisfied?*

**IS THE INFORMATION BEING REPORTED TOO OFTEN, NOT OFTEN
ENOUGH, OR DOES IT OVERLAP TOO MUCH TO PROVIDE
ADEQUATE VALUE TO DECISION-MAKERS?**

IS THE REPORTED INFORMATION BEING USED?

YES Does the value of reports to the Board or management equal or exceed the cost of reporting?

NO Should or could the information be used, either by re-directing the report to another person or by training/guiding users in the value of the report?

**COULD THE FORMAT OF THE INFORMATION BE CHANGED TO INCREASE
ITS VALUE AS A DECISION TOOL?**

*i.e. would a more summarized format or periodic comparisons with
similar organizations be useful?*

**ARE THERE USEFUL PERFORMANCE INDICATORS ON HECFI AND ITS
INDUSTRIES THAT ARE NOT BEING, AND SHOULD BE COLLECTED?**

*e.g. industry trends, multi-year comparisons of key results, changes
in consumer discretionary spending*

- 2) With the exception of the monthly Board financial summaries, key indicators are not presented in a format which allows a fast and efficient recognition of these critical performance trends.

1. **Key Measures:**

While many characteristics of activity and performance are being tracked and reported, there is inadequate common understanding by managers of the value and potential use of the various statistics that are collected and presented. Reasons for this include:

- *the link between performance and HECFI's mandate and strategic objectives has not been clearly stated:*

At present, performance assessment appears to focus on the quantity of activity, rather than its "quality" from a financial or mandate perspective. The linkage between performance and the strategic or operational goals is limited.

Performance against annual objectives is judged by comparing the actual levels of events, attendance, revenues, and expenditures to the budgeted amounts. Variance analysis on the summarized revenues and expenditures is provided to the Board.

- *measures that can provide a quick guide to changes in operating efficiency have not been developed to show the impact on overall performance:*

While many statistics are provided for the use of managers, the impact of this data for operating decisions has not been adequately specified, leading to inconsistent use of the information.

- *industry-wide performance standards have not been identified, reducing the ability of HECFI to judge its performance by external, competitive measures:*

Identifying the strengths and weaknesses of the organization can be aided through a periodic comparison of current operations to industry trends and performance levels. To do this, data needs to be collected in a format which permits ready comparison with competitors. This audit found that increased similarity would be necessary, to simplify this competitive review process.

Exhibit 8.2 offers a sample of indicators which may provide clear signals of performance against a broader range of measures than the annual budget, permitting management and the Board to have a stronger understanding of performance trends. The first two measures can provide the basis for projecting expected revenues from current bookings, which elevates the importance of tracking revenue-based performance indicators. Some of the other measures are currently being recorded but not in an aggregated or "user-friendly" format, some had been collected and were discontinued, and others do not appear to have been collected in any form.

RECOMMENDATION

- 8.2** Report specific performance indicators which will provide both an indicator of positive results and an "early warning system" for poor and declining performance. Assign the responsibility for recording and calculating these to the Departments whose performance is reflected by the indicator.

EXHIBIT 8.2

SAMPLE PERFORMANCE INDICATORS

SAMPLE OF PERFORMANCE INDICATORS	PERFORMANCE MESSAGE		
	Link to HECFI Mission	Operating Efficiency	Competitive Assessment
HCC Revenue per Available Square Footage	"efficient and effective management"	Forecast revenue potential	Compare revenue maximization
Copps and HP - Revenue per Available Seat	"efficient and effective management"	Forecast revenue potential	Compare revenue maximization
Event Days relative to Event Totals	"maximize facility use"	Average event length and impact on event setup and planning	
Average Square Footage ¹ used per Event (for HCC) as % of Rentable Space	"maximize facility use"	Measure the potential for increased sales	Compare capacity utilization
Economic Benefits generated by activity	"act as a catalyst"	Return on investment (City subsidy)	
Origin of Event compared to target market objectives	"act as a catalyst"	Assess sales goal achievement	
Categorize events to illustrate the programming source ²	"diversified programming"		
Categorize events according to event type - compare to objectives	"diversified programming"	Assess sales goal achievement	
Average Revenue per Event	"effective and efficient management"	Increase revenue per sales effort over time	
Variable Labour Costs relative to Revenue	"efficient and effective management"	Assess events delivery goal achievement	
Average Revenue and Margin on catered "plates served"	"efficient and effective management"	Assess catering services goal achievement	Compare efficiency and pricing
Revenue to Expense ratio (both by event and by corporate totals/month)	"efficient and effective management"	Assess trends in cost control and revenue contribution	Compare efficiency

¹ This differs from the total facility square footage which was calculated previously. It provides a clearer message of total room usage and availability.

² Categorize HPT events into events offered by HPT tenants; by other local community groups; by external promoters attracted through HP sales efforts.

2. Efficient Presentation:

While managers need to receive detailed data to allow further analysis when required, the depth and quantity of material and statistics currently provided can complicate the identification of critical variables. With a clearer isolation of key indicators, as suggested above, combined with some interpretation in a narrative form, managers and the Board should be able to make effective decisions without becoming blocked by excessive detail.

D. REPORTING CHANGES

The current facility-based budgeting and financial reporting methods will no longer be practical for the recommended change in organizational structure. Revision along functional department lines will be necessary to match responsibility with fiscal accountability.

This creates a potential hazard of losing valuable information concerning the effectiveness of event activity in the three facilities. To counteract this, it is suggested that financial accounting be designed to permit either one or both of the following:

- an assessment of costs and revenues per event, for clear recognition of the contribution towards overhead that is being made by each category of event; and/or
- revenues and expenses to be assigned to activity centres, to specifically recognize the source of revenues and the contribution to overhead from each activity (e.g. room rental fees assigned as sales revenue; beverage revenues allocated to catering services; promoter event recoveries allocated to events delivery). This contribution margin reporting style was used in three of the comparator facilities reviewed during this audit.

This change in reporting financial results would permit responsibility accounting and monitoring, while also providing information on the financial performance of specific events.

RECOMMENDATION

8.3 Change the current facility-based budgeting and financial reporting methods to reflect the recommended organizational structure based on Departments. Include a capability to evaluate the relative profitability of events, so that valuable facility-based information is not lost.

E. INFORMATION DISTRIBUTION

Reports and information notices are widely distributed, both internally and externally, where necessary¹⁵. Many of the distribution lists follow historical patterns, which raises the need to reassess these lists to ensure that the time and cost of copying and sending the material is justified.

Two questions should be considered:

- 1) is the information received by those who require it to make decisions related to their duties and responsibilities?
- 2) are there people on the distribution list who no longer require the information?

Audit interviews suggested that the first question is not being met satisfactorily, as:

- redistribution of key information from the senior managerial level to the middle level was, in some cases, either slow or non-existent, with operating managers not receiving timely access to assist decision-making;

¹⁵ For example, the Weekly HCC Function Sheet Summary is distributed to 18 internal and 15 external individuals and agencies to inform those who must contribute or may be affected by the activity (e.g. Hamilton Parking Authority, the Government Building, and the Fire Department all may be affected by a large influx of delegates).

- some currently prepared reports contain information which would help the effectiveness of other departments, yet these reports are not distributed (e.g. HCC sales report); and
- some overlap exists in reports prepared in various departments, due partially to a lack of awareness of the other reports.

In response to the second question, some reductions in distribution may be possible. Interviewed employees and Board members commented on the large quantity of information provided to them. Most stated that they tend to scan the material and select those reports that seem most directly relevant. This implies either that distribution of some information could be reduced or, as noted previously in Exhibit 8.1, that usage of the reports need to be refocused.

RECOMMENDATION

8.4 Review the distribution lists of management reports and activity notification, to ensure that the information is provided to the appropriate people, and that unnecessary distribution is minimized.

F. WORKLOAD DEMANDS

The trends, characteristics and quantity of event activity is measured primarily through the Event Revenue report, the Type of Event report, and the Origin of Event report. However, these reports do not fully explain the workload demands and the resulting impact on labour requirements. This deficiency makes it difficult for decision-makers to evaluate budget or staffing requests, as the full level of workload changes are not clearly reported.

Features which affect workload and are not reported include:

- 1) *event complexity*: the total number of functions per month at HCC is not reported, yet an increase in functions per event represents an increase in:
 - events planning tasks and the time Events Co-ordinators must spend with clients;
 - the number of rooms used during an event, which requires increased set-up and clean-up activities; and
 - the complexity of supervising the event when multiple rooms are in use, with each requiring specific service.

With the total number of events at HCC showing a fluctuating pattern, decision-makers may assume that the workload should be increasing or decreasing in tandem with these changes, instead of steadily rising. Understanding the impact of an increase in complexity should permit better decisions to be made concerning the events delivery workload demands;

- 2) *the impact of activities which generate secondary revenue*: some of these activities require the services of salaried employees. Reporting on the quantity and frequency of these events could provide senior managers and Board members with a stronger understanding of the workload of the full-time staff complement. For example, casual ice rentals at Copps provides an extra source of revenue, and also allows better use of full-time staff as they provide ice-preparation, dressing room clean-up, security and related administration of the reservation and payment system; and
- 3) *non-revenue, but mandate-related activities*: some mandate-related activities are carried out but are not reflected on the event summaries, yet these require staff time, either to administer or to

support through events delivery services. For instance, Hamilton Place has offered a training venue for local high school students, as part of its mandate to provide educational programs. This audit was unable to locate specific reports which would reflect the extent of these activities or the staff time required to sustain them.

Incorporating measures to reflect workload demands, either on a regular basis or as part of the budget justification package, is suggested as a means to provide more complete information to senior decision-makers.

RECOMMENDATION

8.5 Expand the monitoring and reporting activities to include measures which reflect increases in workload demands. Report on these annually, at a minimum, as part of the budget justification process. More frequent reporting may be necessary for selected measures which could act as an early-warning sign of performance problems.

G. CONSISTENCY OF REPORTS

Comparing activity and events among HECFT's three facilities is hampered by using a slightly different definition of the term "event" when identifying activity levels. Also, the content of the monthly sales reports varies slightly between the HCC and the Copps reports, with different time frames and details being included. This can affect senior decision-makers' expectations and understanding of the current and potential services offered at each facility.

Definitions of the "meeting" and "reception" categories are different between HCC and Copps Coliseum. While a small 15 or 20 person meeting would be recorded as an event at HCC, a similar meeting, requiring similar levels of staff support, would not be reflected in the

Copps activity totals. This provides a distorted view of activity at Copps, leaving the impression that little activity occurs on an annual basis in comparison to HCC or HP.

For instance, Copps Coliseum recorded 95 events in 1989, with an expectation of 104 for 1990, significantly lower than the 380 expected for HP or the 785 expected for HCC. However, on the Copps weekly schedule, an average of 14 activities per week is reflected, for an annual average of 700 activities per year (based on a 50-week year), all of which require staff planning and delivery time. The majority of these activities are not included in the event activity report totals, yet require similar planning and staff attention as would be required if the activity was held at HCC. These activities include events such as:

- casual ice rentals to community members and ice hockey practices for the Dukes of Hamilton OHL hockey team;
- facility tours for local school groups
- meetings for the Board, Committee, and HECFI or City employee groups;
- receptions for local political events (e.g. a reception for the delegation from Fukiyama, Japan);
- press conferences for event and non-event related activities; and
- special event luncheons.

Using consistent methods to reflect activity at the three facilities will gain greater importance, particularly if performance is to be evaluated against strategic objectives of delivering specific types of services to the community.

RECOMMENDATION

- 8.6 Review the method of recording events at all three facilities to ensure that consistent definitions and criteria are applied. In particular, assess the event activity recording method at Copps Coliseum, to identify a more effective method of reflecting the services being offered to the community.**

EXHIBIT 9.1

HECFI CHARACTERISTICS NOW AND POSSIBILITIES FOR THE FUTURE

HECFI NOW

- Paternalistic / Hierarchical / Leadership At Few Levels
- Decision Rules Unclear
- Control and Positional Authority
- Property Management Focused
- Focus on Activity Levels and Selective Costs
- Volatile but Slow to Adapt
- Risk Averse / Fearful of Failure
- Closed Communication. Employee Mistrust of Management, the Board, and Each Other.
- Limited Accountability Emphasizing Selective Cost Containment
- Fragmented Decision-making
- Narrow Functional Specialists

FUTURE POSSIBILITIES

- Leadership at Many Levels
- Decisions Based on Business Principals and Calculated Judgments
- Employee Commitment and Greater Delegated Authority
- Focus Specific to Industries Served
- Focus on Quality of Services, Revenue Generation, Pricing in Relation to Costs
- Flexible and Prepared for changes
- Managed risk-taking
- Open Two-Way Communications and Cooperative Teamwork
- Full Accountability, Emphasizing Customer Service and Cost Containment
- Integrated Decision making
- Broader Skill Sets / Generalist and Specialist Mix

IX. WORKING CONDITIONS

HECFT's working environment has eroded in recent years. Low staff morale, limited positive recognition of employee contributions, and an unfocused training program could become critical threats to the organization's competitive position. The strategic value in addressing these issues is discussed in this section. Exhibit 9.1 positions the observations that follow by summarizing some characteristics of HECFI now and where the organization could be in the future.

A. EMPLOYEE MORALE

Internal interviews showed overwhelmingly that staff morale is at a low point. Efforts to resolve this issue extend beyond a concern for the "happiness" or well-being of employees. Morale is a particular concern in the hospitality and entertainment industries. In these service industries there is no tangible product, instead, there is an experience that is consumed as soon as it is offered. Skilled, empowered, and motivated staff are required to show initiative in resolving clients' and patrons' problems as they occur or to anticipate and eliminate difficulties. Low morale has led to a decrease in employee risk-taking and initiative, creating a potential competitive disadvantage.

Overcoming this threat requires attention to resolving the underlying causes for current morale levels. Apparent causes of low morale have been referred to in earlier sections of this report. They include:

- a perception that the skills and professional expertise of employees are not valued, not trusted, or are disregarded;
- concerns about poor communication patterns, particularly when implementing changes in work patterns and reporting relationships; and
- a view that the Board is operating from an agenda where personal interests take precedence over the well-being of the organization, with the result that staff are less willing to take risks or to

implement tough policies. This has led to some decreases in operational efficiency, as staff prepare reports to back-up their positions, or will implement Board member requests without question, even when these appear not to be in the best interests of HECFI (e.g. incurring additional costs by staffing all the Box Office windows in response to a Board member's request; setting up a new front row of seats at an event upon a Board member's demand).

Earlier recommendations either deal directly with some of these causes (i.e. the need for improved communications) or indirectly (i.e. clarifying the role of the Board). The remaining points require specific efforts to overcome the lack of trust and respect between HECFT's employees and its leadership.

Efforts by the CEO will be critical, before much progress can be made. Front-line, events delivery staff have a significant impact on the quality of services provided to users. Some employees who have worked closely with the CEO respect his high expectations of his own performance, as well as that of his staff. However, the CEO has not been able to achieve the level of respect needed to influence positive change, as he faces some widely held perceptions, both inside and outside the organization, that must be overcome.

Complimenting positive operating results, making collaborative industry-sensitive decisions, and recognizing the significance of employee morale to achievement of objectives would help to overcome those perceptions.

The CEO and some Board members appear to recognize the severity of this morale problem, a necessary first step towards resolution.

RECOMMENDATION

9.1 Recognize and accept the strategic importance of positive employee morale, and develop methods to eliminate or reduce the underlying causes of low morale. The Board and the CEO will need to play a central role in supporting and leading these initiatives.

B. ORGANIZATIONAL REINFORCEMENT

Some efforts have been put in place in the past year to recognize good performance at an individual level (e.g. the CEO has provided "recognition letters" for successful delivery of significant events; a recent employee recognition reception was hosted by the Board after a successful major conference). These efforts have been counteracted by actions by certain Board members, who have criticized responsible employee performance. Although it tends to be a minority of members who carry out such actions, employees' confidence in the motives and expectations of all Board member's expectations and motives has suffered. The most serious concerns dealt with Board members interfering with employees who were doing their jobs according to established procedure or policy. Employees are concerned and understandably confused that,

- first, they are being reprimanded for carrying out policies that they have been instructed to implement, and
- second, that selected Board members believe that the Board policies designed to govern Board member behaviour, do not particularly apply to them.

Such instances further demoralize staff and decrease their willingness to make decisions and take action. Although these tend to be isolated incidents, the impact is significant as the incidents are reported widely throughout the organization. This demonstrates the very strong impact that

Board and top management recognition can have, and reinforces the need for this to be directed in a creative and positive manner.

Further, specific and positive organizational reinforcement of policies, procedures, and objectives is merited. While financial recognition has been increased with the recent unionization of parttime workers at HCC and HP, ongoing reinforcement of outstanding service performance, a typical feature in the hospitality industry, is also necessary. Formalizing a recognition system on specific and clear service criteria would provide a constant, motivating symbol for both fulltime and parttime employees. Such a move would demonstrate clear support by Board members and upper management to the three key requirements for this industry, as presented earlier in Exhibit 2.2 of this report. There are a variety of processes that could be used to develop a recognition system. Forming a small task force composed of various levels of the organization, with a mandate to review industry practices and to develop a set of recommendations within senior management guidelines, could be a practical solution for the following reasons:

- employees would be able to bring their industry-experience to bear;
- recognition methods would reflect a combination of front-line and management perceptions of valuable performance; and
- this would provide a clear symbol of senior level support and trust in employee contributions.

RECOMMENDATION

9.2 Develop an organizational recognition system to reinforce activities that support HECFI's objectives and standards of service performance. Consider the use of a task force to develop a set of recommendations on employee recognition for final consideration by senior management.

C. HUMAN RESOURCES MANAGEMENT PRACTICES

HECFI has a history of promoting employees from within, providing positive employee recognition and opportunities for career growth. While this can serve as a powerful motivator, there are some problems evident with HECFT's human resources practices:

- there has been a lack of training for the promoted employee to adequately learn the requirements of the job, creating an extended learning period and efficiency difficulties;
- recent promotions have disregarded the historical "open" posting, creating disillusionment about the fairness of the promotion policy; and
- a number of unqualified employees have been promoted when it would have been expedient to recruit externally.

To overcome these problems, a strengthening of human resources administrative and management practices is required to:

- emphasize management responsibilities for fair and comprehensive employee practices;
- identify career development paths and potential candidates for promotion;
- ensure that internal promotion does not occur when either the skills or the potential to develop the skills are not present; and
- assure employees that fairness rather than favouritism, prevails in job opportunities and training availability.

Internal promotions are valuable, but should only occur when the necessary skills are present. This will be particularly important to consider for the recommended organizational changes, as a number of positions would be eliminated and some new ones added.

RECOMMENDATION

9.3 Review existing human resources practices and policies, to ensure that:

- **systematic procedures are in place to identify needed job skills;**
- **qualified or potentially qualified employees who could be considered for promotion are identified;**
- **job postings and recruitment processes provide fair opportunity; and**
- **employment practices are perceived to be fair to all.**

D. TRAINING AND CROSS-TRAINING

Three forms of training should be considered when assessing the support provided for the knowledge requirements of HECFI employees:

- **ongoing training, to maintain a level of current technical and industry knowledge;**
- **cross-training, so that mutually dependent areas have a better understanding and appreciation of the challenges and pressures experienced in the other departments; and**
- **on-the-job training, to support internally promoted employees.**

HECFT's training emphasis has focused primarily on the first of these three forms. Ongoing training can be valuable and useful, yet a clearer training plan is necessary to fully recognize areas where industry knowledge is in flux and address areas of performance weakness. Employees expressed concern that:

- **attendance at relevant conferences and seminars has been reduced; or**
- **that the available training funds are provided to support less important areas.**

For the last two forms of training - cross-training and on-the-job training - plans need to be developed. A particular priority is cross-training for the HCC Sales - Events Planning - Banquets areas, to further improve their ability to prepare operationally sound responses to client requests. Directors and Managers should review the performance improvement requirements of employees and develop a training program by Department to ensure that:

- training in essential skills is being fully covered; and
- limited training funds are expended where most needed.

More complete training is recommended when employees are promoted based upon their potential capability to carry out the job. Particularly when the promotion involves a change in career direction (e.g. from Administrative Assistant to Sales Executive), specific training is needed to reduce the learning period. For Managers who have arrived at their positions through promotion from a technical or operational role, new managerial duties are required of them (e.g. performance appraisal, team-building, scheduling and planning) that should be supported through training. While many Managers have been in their positions for a number of years, their formal managerial training has been limited. Encouraging managers to update their managerial and supervisory skills would be a useful means of improving the overall working environment, while also addressing weak managerial practices.

RECOMMENDATION

- 9.4 Review training strategies at the Departmental-level, to ensure that attention is provided to skill requirements and to encourage cross-training between dependent work units. Encourage internally-**

promoted Managers to seek training in effective managerial and supervisory practices, to update their skills.



X. PROTECTION OF KEY ASSETS

HECFT's success is dependent, to a degree, on protecting the key assets that contribute to organizational effectiveness and efficiency. This section will review those assets which are of greatest consequence to HECFI, where loss or inadequate protection could harm HECFT's competitive position. These assets are as follows:

- the physical facilities, which provide event production capabilities and contribute to client and patron safety and comfort;
- information related to HECFT's operating methods, contractual arrangements, financial records, and management decisions. These are found in both hard copy and on computer files; and
- human resources with valuable skills and knowledge who plan, assess, and deliver events to keep clients and patrons satisfied.

While HECFI has been taking reasonable measures to maintain the facilities and to protect valuable information, greater attention is required for the protection of HECFT's human resources.

A. PROTECTION OF PHYSICAL ASSETS

Maintenance activities to protect HECFT's physical assets from deterioration are not applied equally to all three facilities. Extending the activities to encompass all physical assets is being considered and should be instituted. In addition to insurance coverage, the two primary measures in place to protect HECFT's facilities are:

- a computerized preventive maintenance program for mechanical and electrical systems. This system provides automatic job orders based on pre-programmed criteria for equipment at Copps Coliseum. This program is located on the CUP computer system and has not yet been extended to HCC or Hamilton Place. Applying this program to the other two facilities has been discussed by HECFI staff and should progress, as no system is currently in place. Continued

access to this program should be arranged, if the CUP is returned to the City, perhaps through a contractual agreement.

- a capital budgeting program that identifies areas of expected asset renewal. Providing safe environments with functional and useful equipment is necessary to ensure that clients and patrons receive appropriate service. The requirements vary among the facilities, depending upon their age. While Copps is a relatively new facility, built in 1985, Hamilton Place is aging (opened in 1973) and the Hamilton Convention Centre, at eight years old, will need increased attention. The capital budget planning process should be reviewed, as suggested earlier in the discussions concerning HECFI budgets, to confirm that service-related asset requirements are identified far enough in advance. This has not always happened early enough, resulting in last-minute planning and unexpected capital revisions.

B. INFORMATION VULNERABILITY

Information loss could create major losses of time, reputation, confidence, or organizational efficiency. Methods are in place to provide a measure of information protection at HECFI, yet could be expanded for the following areas:

- computer-based information, such as the Lotus-based financial statements and activity statistics;
- confidential information, such as employee records and tentative sales bookings; and
- accessible, written procedural information, for internal communication and consistency of administrative and operating procedures.

1. Computer-based Information

Computer-based information is protected from loss in the Finance and Administration Department, where a designated person has the role of "backing up" personal computer-based information. This ensures that data is not lost through an equipment failure.

2. Confidential Information

The protection and the use of confidential information, as noted in the section on the Appropriateness of Activities, could be improved. Other information protection issues relate primarily to the physical location of offices where confidential information is stored or handled. As an example, some sales discussions concerning tentative bookings need to be carried out in confidence, which requires a closed sales office setting. This did not exist when the Copps Sales Executive - now in a more private area - was located in the HCC Sales Office. As a second example, staff have expressed discomfort in visiting the Administrative Co-ordinator's office, which is in a visible area, to discuss confidential Human Resources matters. Additionally, a general storage room is accessed through the Administrative Co-ordinator's office. A number of people need to obtain supplies from this room during the day while the Administrative Co-ordinator may be on the phone or have open employee files on her desk. Information leakage could occur under either of these situations. Recognition of the confidential nature of the activities that occur in an office should be considered when office locations are designated.

RECOMMENDATION

- 10.1 Recognize the need to provide secure office locations with a measure of privacy for those positions dealing with confidential information. In particular, locate a more secure office space for the Administrative Co-ordinator to adequately protect confidential employee information. Ensure that this change still permits ready access by the Administrative Coordinator to others in the Finance and Administration Department.**

3. Procedural Information

Procedural information is vulnerable to loss or misinterpretation, as manuals of current procedures are not readily available. While a number of administrative procedures and operating policies exist, they are not compiled in a practical format that could act as a ready reference for relevant operating areas. This reduces efficiency, as procedures are not consistently implemented or actions are slowed down as the correct information is located. For example, there appears to be excessive reliance on the Finance and Administration Department, as employees in other Departments either do not follow administrative procedures or frequently recheck with Finance staff to confirm direction.

A second information vulnerability exists, as certain types of organizational knowledge are not available in any written format. In particular, technical solutions to the requirements for various types of events at Copps Coliseum have not been documented. While there is a certain amount of tailoring in a stage setup or consumer show layout, there are also common components which can be applied. This knowledge is possessed primarily by the Events Manager and his Assistant, with some known to the Sales Executive and Box Office Manager. This increases the dependence of the organization on these individuals and the seriousness of a potential loss of one of these employees.

RECOMMENDATION

- 10.2 Gather the current, critical operating policies and procedures and compile into appropriately indexed policy and procedure manuals. Distribute to the relevant operating departments, with guidance on**

their use. Ensure that essential, undocumented procedures, particularly those which affect customer services and operating efficiency, are developed into a written format.

C. STAFFING VULNERABILITIES

Both the consequences and the probability of losing the skills and knowledge of HECFI employees is high. Our external interviews have indicated that HECFI may experience difficulty in recruiting suitably experienced replacements. Although staff turnover has not been extensive (except in the Events Co-ordinator area, where resignation after two years appears to be the norm), we have been advised that there has been a deterioration of the working environment over the past one to two years. The implications of this were discussed in the previous section on Working Conditions.

XI. SECONDARY IMPACTS

This section briefly discusses a number of areas where unintended results have been achieved through HECFI decisions or stakeholder actions.

A. LONG-TERM PROGRAMMING CONTRACTS

HECFI has negotiated several longer-term programming commitments and is seeking additional ones, e.g. a professional sports franchise for Copps Coliseum. These contracts provide obvious benefits of a more stable activity pattern, and a possible reduction in some programming risks.

A contract negotiated this year with Concert Productions International (CPI) will have some significant secondary implications for the HECFI organization. This commitment provides for musical concerts at Copps Coliseum to be arranged on an exclusive and co-promotion basis through CPI, with a financial guarantee for a minimum annual earnings level by HECFI over the three year term of the contract (1990 - 1992).

However, they do not necessarily reduce financial risk, e.g. the cost of making Copps available to the Hamilton Dukes junior hockey team exceeds the revenue realized. There are additional indirect benefits possible from the CPI contract, but only if the organization puts forth a concentrated effort to capitalize on these opportunities. The main opportunity arising from the CPI deal is the increased availability of the Entertainment Sales Executive, as reduced effort will be needed to negotiate concert bookings. This will permit a more aggressive pursuit of other profitable events, such as large scale family shows, major sports events, and arena consumer shows. In addition, the guaranteed earnings level protects HECFI from the risk of co-promotion losses to a certain degree, allowing a more creative selection of concert acts in an effort to raise the image of Copps Coliseum as a concert venue.

Potentially negative organizational impacts could arise, if attention is not given to preparing for the period after the contract expires. The exclusive contract with CPI could lead to a loss of contact with other concert promoters (although CPI is the largest promoter in Canada). An erosion of industry knowledge within HECFI could reduce the organization's negotiating position when the CPI contract expires at the end of 1992.

While these potential outcomes could be overcome with careful management decision-making, an awareness of both the benefits and the pitfalls is needed.

Programming contracts with community groups also have unintended consequences. While community access to HECFI facilities is encouraged by the objects of the corporation, a financial loss is often incurred (reviewed previously in the Financial Results section) as well as a loss of flexibility in booking times for other events. Resolution of both the costs and benefits of community programming is a priority.

B. PROGRAMMING FLEXIBILITY

Theatre Aquarius will be moving into its own theatre next year, after leasing the Studio Theatre at Hamilton Place for many years. While eliminating a guaranteed stream of activity and income¹⁶, this change can lead to increased programming potential for the Studio Theatre, by releasing 164 previously committed days from September to May.

The Studio Theatre is a flexible and unique space, lending itself to a variety of performing arts, local community, or small reception or

¹⁶ For the 1990/91 season, Theatre Aquarius' rent and minimum box office fee is expected to total \$62,515, or just under \$460 per performance.

ceremonial activities. A creative approach is necessary to generate potential user interest in this space, a task that could be assigned to the recommended new position of Entertainment Programming and Sales Manager. The availability of this potential revenue-generating space reinforces the need to hire a manager with a performing arts background, capable of assessing and selling the potential for the Studio Theatre as well as other HECFI spaces.

RECOMMENDATION

11.1 Capitalize on the pending availability of Hamilton Place's Studio Theatre in 1991 by assigning the task of developing a renewed programming and marketing plan to the newly recommended position of Entertainment Programming and Sales Manager.

C. POLICY DECISIONS

Insufficient awareness of the external and internal impact of certain policy decisions can create unintended negative consequences. For example, the decision by the Board earlier this year to expand Board member access to reserved seating, at both Copps Coliseum and Hamilton Place, created the following unintended consequences:

- patron dissatisfaction with the availability of prime seats, especially at Hamilton Place (over 50% of the prime front rows of seats are held for purchase by Board members up to 72 hours before a performance. Patrons who buy tickets on the first "on-sale" date who are unable to buy a prime seat have questioned why these rows were subsequently vacant during performances, in cases where the option to purchase the reserved seats was not used);
- concerns about promoter reaction, if large blocks of prime, and generally more expensive, front row seats are left unsold, thereby reducing the average revenue per ticket; and
- increased distrust by employees of the Board's understanding of the dynamics of the industry and of individual Board members'

willingness to support decisions which are in the best overall interests of HECFI, its mission, and its clientele.

This example demonstrates the types of unanticipated and perhaps undesirable outcomes that can develop at a number of levels from Board policies. Thorough consideration of the potential consequences of policy changes is necessary.

XII. CONCLUSION

This report provides 58 recommendations in response to the effectiveness issues that the audit was asked to review. Managing this wide range of recommendations will require a careful assessment of priorities, to separate the tasks into immediate; short-term; medium-term; and long-term activities. We suggest that a possible efficient starting point would be to hold a day-long Management Team workshop, to respond to the implementation requirements of this audit. Obviously, Board of Director involvement will be required to deal directly with several of the recommendations.

The audit team extends thanks and appreciation for the high level of co-operation and assistance provided by City Council, the Board of Directors, and HECFI's employees and City staff. The CEO's substantial support for this audit provided the framework for the degree of willingness and candour shown by the staff. Overall, we were impressed by the strong commitment expressed by the staff toward HECFI's facilities and to users of the facilities. This commitment provides a strong foundation for positive change. Emphasizing those recommendations that will resolve the current difficulties in long-term direction for the organization and in the level of staff morale towards the organization will be important to capitalize on the strengths that exist.

The City of Hamilton has three fine facilities being managed under the HECFI corporate structure. It is our sincere wish that the recommendations in this report will prove to be of assistance to the City and to HECFI in meeting the potential visualized for these facilities.

THE COOPERS & LYBRAND CONSULTING GROUP





APPENDIX I

COMPREHENSIVE AUDIT WORK PLAN

PHASE ONE - START-UP

The work plan was confirmed with HECFI's CEO, audit resource requirements were outlined, and HECFI's current position was reviewed.

PHASE TWO - INITIAL INTERVIEWS AND DOCUMENTS REVIEW

Budgets and financial statements, business plans, descriptions of HECFI's mandate and Board structure, organizational charts, promotional materials and press clippings were reviewed to develop a preliminary assessment of priorities and to identify critical trends and patterns.

Senior managers were interviewed on a preliminary basis to identify the roles, responsibilities, organizational activities, and critical issues from a management perspective.

PHASE THREE - CONFIRM DIRECTION

A meeting with the Audit Steering Committee was held to clarify the audit direction, the preliminary issues of importance, and the anticipated research directions.

PHASE FOUR - INDEPTH INTERVIEWS AND DOCUMENT REVIEWS

Board members, politicians, additional HECFI employees, and City staff were interviewed. Work patterns, challenges, perceptions, and priorities were identified and clarified.

Union contracts, service contracts, personnel and administrative policies and procedures, Board minutes, staff reports to Committees and the Board, and samples of various in-house memos and reports were analyzed, to provide an in-depth understanding of HECFI operations.

PHASE FIVE - COMPARATIVE INFORMATION

Information from ten comparator facilities was gathered through interviews and document reviews. Industry trends, standards of

performance, measures of success, and staffing patterns were identified.

PHASE SIX - ANALYSIS OF AUDIT DATA

Data was analyzed to determine the overall performance against the twelve attributes of effectiveness used as the analytical framework for this audit.

Preliminary audit conclusions were prepared, with an assessment of the major strengths and challenges of each area within HECFI.

PHASE SEVEN - PRESENT PRELIMINARY CONCLUSIONS

The preliminary audit findings and conclusions were presented to the Audit Steering Committee. Instruction was received to continue in the direction identified by these findings.

PHASE EIGHT - IDENTIFY POTENTIAL MANAGEMENT RECOMMENDATIONS

Areas for needed improvement and recommendations to resolve these areas were identified.

PHASE NINE - PREPARE DRAFT REPORT AND IMPLEMENTATION GUIDE

A report was prepared outlining the results of the previous eight phases, presenting the analysis and support for the recommendations.

PHASE TEN - PRESENTATION TO THE STEERING COMMITTEE

The draft report was presented to the Committee for review and discussion.

COMMITTEE ON ASSAULT AND BATTERY

Section 1. The committee on assault and battery shall be composed of the following members:

Section 2. The committee on assault and battery shall be composed of the following members:

Section 3. The committee on assault and battery shall be composed of the following members:

Section 4. The committee on assault and battery shall be composed of the following members:

Section 5. The committee on assault and battery shall be composed of the following members:

Section 6. The committee on assault and battery shall be composed of the following members:

Section 7. The committee on assault and battery shall be composed of the following members:

Section 8. The committee on assault and battery shall be composed of the following members:

Section 9. The committee on assault and battery shall be composed of the following members:

Section 10. The committee on assault and battery shall be composed of the following members:

Section 11. The committee on assault and battery shall be composed of the following members:

Section 12. The committee on assault and battery shall be composed of the following members:

Section 13. The committee on assault and battery shall be composed of the following members:

Section 14. The committee on assault and battery shall be composed of the following members:



APPENDIX II

HAMILTON AREA INTERVIEWS CONDUCTED DURING THE COMPREHENSIVE AUDIT

HECFI EMPLOYEES

Corporate

Gabe Macaluso	Managing Director/ C.E.O.
Pat Bennett	Board Secretary/ Legislative Assistant
Joanne Corr	Administrative Assistant

Hamilton Convention Centre

Steve Dockman	Operations Manager
Bruce McCrady	Banquet Manager
Betty Goddard	Administrative Assistant

Finance & Administration

Copps Coliseum / Central Utilities Plant

John Crane	Director
Brad Calder	Plant & Building Operations Manager
Jerry Vanden Heuval	Chief Electrician
Bob Desnoyers	Chief Operating Engineer
John Elder	Event Manager
Betty Drury	Usherette Supervisor
Gail McCaffrey	Administrative Assistant

John Leuser	Director
Joan Mills	Admin. Coordinator
Rick DiFilippo	Comptroller
Jane Hartwell	Accounting Supervisor
Ron Wilson	Senior Finance Officer
Marilyn Bowlby	Box Office Manager
Linda Persichini	Copps Box Office Supervisor

Marketing & Sales

Hamilton Place

Tom Burrows	Director
Robert Ellison	Assistant Director
Jim Elder	Front of House / Operations Manager

Barry Snetsinger	Director
Sal Farrauto	Sales Manager (HCC)
Karen Dowhan	Sales Executive (HCC)
Carolyn Melia	Sales Executive (HCC)
Leslee Stewart	Sales Executive (Copps)
Mary Webb	Adv., Promo., P.R. Mgr
David Watkins	Adv. Promo., P.R. Co-ordinator - (Copps)
Robin Laking	HCC Events Manager
Irene Gaudet	Events Coordinator

APPENDIX II (cont'd)

HAMILTON AREA INTERVIEWS CONDUCTED DURING THE COMPREHENSIVE AUDIT

HECFI BOARD MEMBERS

Aldermen

J. Gallagher
D. Agostino
Mayor R. Morrow

Chairman
Second Vice Chairman

D. Drury
T. Jackson
H. Merling

Wm. McCulloch
T. Murray

Citizen-Appointees (Past and Present)

F. DeNardis
A. DiIanni
M. Dow

Vice Chairman

G. Kay
N. Levitt
W. McFarland

M. Ryder
Wm. Tidball
A. VanDuzer
D. Hektor (past)

OTHER CITY ALDERMEN AND EMPLOYEES

Aldermen (note: all Aldermen were invited to participate)

T. Cooke

G. Copps

D. Ross

City Employees

L. Sage
J. Johnston

Chief Administrative Officer
Director of Human Resources

E. Matthews
D. Vyce

City Treasurer
Director of Property

Treasury Personnel

T. Daw
M. Chandrashekar
D. Goodman
J. Machida

Manager of Revenue
Accounting Supervisor
Manager of Payroll
Accounts Payable Manager

J. Danko
D. Marsh
J. Goodwin
K. Leslie

Payroll Clerk
Payroll Clerk
Accounts Payable Clerk
Accounting Clerk



APPENDIX III

COMPARATIVE FACILITY ASSESSMENT

KEY: I = indepth personal interview D = document review only

	TYPE OF FACILITY		
	Conventions & Banquet Services	Performing Arts Theatre	Arena/Trade Show/ Entertainment
CENTRE IN THE SQUARE - Kitchener		I	
CLEARY INTERNATIONAL CENTRE - Windsor	D	D	
EDMONTON NORTHLANDS - Edmonton	I		I
HUMANITIES THEATRE - City of Waterloo: Programming Function		I	
LANDSDOWNE PARK AND OTTAWA CIVIC CENTRE - Ottawa	I		I
MEMORIAL AUDITORIUM - Kitchener			D
METRO TORONTO CONVENTION CENTRE - Toronto	I		
OTTAWA CONGRESS CENTRE - Ottawa	I		
STRATFORD FESTIVAL THEATRE - Stratford		I	
WINNIPEG CONVENTION CENTRE - Winnipeg	D		

COMPARATIVE FINANCIAL ANALYSIS

TYPE OF FACILITY		FACILITY NAME	
1	2	3	4
		1. Name of Facility	2. Address
		3. City	4. State
		5. Zip	6. Phone
		7. Type of Facility	8. Capacity
		9. Date of Construction	10. Date of Renovation
		11. Estimated Cost	12. Actual Cost
		13. Estimated Revenue	14. Actual Revenue
		15. Estimated Expenses	16. Actual Expenses
		17. Estimated Net Income	18. Actual Net Income
		19. Estimated Break-Even Point	20. Actual Break-Even Point
		21. Estimated Payback Period	22. Actual Payback Period
		23. Estimated Internal Rate of Return	24. Actual Internal Rate of Return
		25. Estimated Net Present Value	26. Actual Net Present Value
		27. Estimated Profitability Index	28. Actual Profitability Index
		29. Estimated Sensitivity Analysis	30. Actual Sensitivity Analysis
		31. Estimated Risk Analysis	32. Actual Risk Analysis
		33. Estimated Environmental Impact	34. Actual Environmental Impact
		35. Estimated Social Impact	36. Actual Social Impact
		37. Estimated Cultural Impact	38. Actual Cultural Impact
		39. Estimated Economic Impact	40. Actual Economic Impact
		41. Estimated Political Impact	42. Actual Political Impact
		43. Estimated Legal Impact	44. Actual Legal Impact
		45. Estimated Ethical Impact	46. Actual Ethical Impact
		47. Estimated Health Impact	48. Actual Health Impact
		49. Estimated Safety Impact	50. Actual Safety Impact
		51. Estimated Security Impact	52. Actual Security Impact
		53. Estimated Quality of Life Impact	54. Actual Quality of Life Impact
		55. Estimated Overall Impact	56. Actual Overall Impact

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE



THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE

THE NEW YORK TIMES MAGAZINE



APPENDIX IV

COMPREHENSIVE AUDIT ANALYTICAL FRAMEWORK

Attribute of Effectiveness	Type of Question Addressed
Management Direction	Does everyone understand what they are meant to be doing, and is this reflected in the organization's structure, plans and decision-making processes?
Acceptance	What do the beneficiaries and the public think of the organization and its services?
Relevance	How valuable are the activities to the users and stakeholders?
Appropriateness	Are the levels of effort and selected methods of pursuing objectives logical?
Costs and Productivity	Is HECFI continually getting more output for less cost, and are costs and ratios comparable to those of others?
Responsiveness	How well is HECFI anticipating and responding to change in markets, funding, competition?
Achievement of Intended Results	How ambitious are the expressed goals, and to what extent are results being achieved?
Secondary Impacts	What are the unintended effects, positive and negative, of activities?
Protection of Assets	What is the level of protection against unexpected events and resource losses?
Working Environment	Is a constructive working environment in evidence, where employees are motivated to work together, adapt to change, and progressively develop their capabilities?
Reporting and Monitoring	Do managers have the information they need to make decisions and to know how well they are doing?
Financial Results	Are revenues and costs, assets and liabilities being matched, and are good financial results being obtained?

QUESTIONS TO BE ASKED OF THE STUDENT

Statement of Facts	Type of Question Asked
The student should be able to state the facts of the case.	This question is designed to test the student's ability to state the facts of the case and to identify the important points.
The student should be able to identify the parties to the case.	What are the parties to the case and the parties to the dispute?
The student should be able to identify the issues in the case.	What are the issues in the case and the parties to the dispute?
The student should be able to identify the facts of the case.	What are the facts of the case and the parties to the dispute?
The student should be able to identify the legal principles applicable to the case.	What legal principles apply to the case and the parties to the dispute?
The student should be able to identify the facts of the case.	What are the facts of the case and the parties to the dispute?
The student should be able to identify the legal principles applicable to the case.	What legal principles apply to the case and the parties to the dispute?
The student should be able to identify the facts of the case.	What are the facts of the case and the parties to the dispute?
The student should be able to identify the legal principles applicable to the case.	What legal principles apply to the case and the parties to the dispute?
The student should be able to identify the facts of the case.	What are the facts of the case and the parties to the dispute?
The student should be able to identify the legal principles applicable to the case.	What legal principles apply to the case and the parties to the dispute?
The student should be able to identify the facts of the case.	What are the facts of the case and the parties to the dispute?



APPENDIX V**1990 CONSOLIDATED HECFI OPERATING BUDGET**

Department	Revenue	<u>Expenditure</u>
Hamilton Convention Centre	\$3,850,000	\$3,610,900
Copps Coliseum	1,942,380	1,906,450
Hamilton Place Theatre	1,618,910	2,293,220
All Corporate Services	548,060	2,750,960
TOTAL	\$7,959,350	\$10,561,530

Municipal Contribution:	
Regular Contribution	\$2,205,320
Pay Equity Adjustments	396,860
Total 1990 Contribution	\$2,602,180

STATE OF TEXAS, COUNTY OF DALLAS

Item	Quantity	Unit Price	Total
1. Labor	100	\$10.00	\$1,000.00
2. Materials	50	\$20.00	\$1,000.00
3. Subcontract	10	\$100.00	\$1,000.00
4. Other	10	\$10.00	\$100.00
Total			\$3,100.00

5. Labor	100	\$10.00	\$1,000.00
6. Materials	50	\$20.00	\$1,000.00
7. Subcontract	10	\$100.00	\$1,000.00
8. Other	10	\$10.00	\$100.00

THE UNIVERSITY OF CHICAGO PRESS CHICAGO, ILLINOIS 60607

THE UNIVERSITY OF CHICAGO PRESS

CHICAGO, ILLINOIS 60607

1000 N. LAKE DRIVE

CHICAGO, ILLINOIS 60607

THE UNIVERSITY OF CHICAGO PRESS			
1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607	1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607
1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607	1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607
1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607	1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607
1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607	1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607
1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607	1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607
1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607	1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607
1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607	1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607
1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607	1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607
1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607	1000 N. LAKE DRIVE	CHICAGO, ILLINOIS 60607



APPENDIX VI

EXPECTED IMPACT OF SUGGESTED ORGANIZATIONAL CHANGES ON EMPLOYEE TOTALS

NET CHANGES IN EMPLOYEES AND SALARIES

	TOTAL POSITIONS	ESTIMATED SALARY IMPACT
DELETED	13	(\$675,000)
ADDED	8	\$400,900
TOTAL DECREASE	5	(\$274,100)

POSITIONS DELETED

Position	Total	Mid-Range Salary ¹	[Saving]/Cost
Facility Directors	3	\$77,655	[\$232,965]
Operations Manager - HCC	1	\$60,749	[\$60,749]
Assistant Facility Director - HPT	1	\$57,405	[\$57,405]
Front of House Manager	1	\$52,600	[\$52,600]
Events Manager - Copps	1	\$52,600	[\$52,600]
Plant & Building Operations Manager	1	\$57,405	[\$57,405]
Facility Directors' Administrative Assistants	3	\$33,200	[\$99,600]
Ad/Promo/P.R. Co-Ordinator	2	\$30,830	[\$61,660]
		TOTAL	[\$674,984]

¹ Excludes cost of employee benefits.

POSITIONS ADDED

Position	Total	Possible Pay Grade ²	Mid-Range Salary ³	[Saving]/Cost
Director of Events Services	1	24	\$77,655	\$77,655
Entertainment Sales Manager	1	15	\$42,500	\$42,500
Catering Services Manager	1	18	\$54,970	\$54,970
Events Delivery Manager	1	18	\$54,970	\$54,970
Building Operations Manager	1	18	\$54,970	\$54,970
Chief Electrician	1	17	\$52,600	\$52,600
Admin. Asst. - Director Events Delivery	1	12	\$33,200	\$33,200
Electrical Technician	1	11	\$30,000	<u>\$30,000</u>
			TOTAL	\$400,865

² Numbers refer to pay grades or bands within HECFI's established salary structure.

³NOTE: The actual salary cannot be determined until the new positions are evaluated according to the HECFI job evaluations method. For estimation purposes, the indicated salaries **ARE LIKELY TO BE THE MINIMUM REQUIRED**, and are based on the current pay grade for a potentially similar position which may require re-evaluation due to changed responsibilities. Note also, that the costs and savings **DO NOT REFLECT THE CORRESPONDING COST OR SAVINGS OF RELATED EMPLOYEE BENEFITS.**



APPENDIX VII
IMPACT OF THE PROPOSED ORGANIZATIONAL CHANGES
FOR HECFI EMPLOYEES

1. REDUNDANT POSITIONS

The Current Facility Directors and Assistant Directors:

The positions of Facility Directors and Assistant Directors would no longer be required under the proposed changes. Due to vacancies in a number of positions, only three employees would be affected by this change - the Director of Copps Coliseum; the Assistant Director of Hamilton Convention Centre; and the Assistant Director of Hamilton Place. If the new positions this audit is recommending are compatible with these individuals' skills and background, we suggest that they be invited to apply for the new posts.

Administrative Assistants and Clerical Positions:

With the removal of the Facility Director and Assistant Director positions, the associated administrative assistant and clerical positions will not be required. An administrative assistant would likely be necessary for the new position of Events Delivery Services Director, however three administrative assistant positions would become redundant.

Clerical support would be needed for the newly-created specialist managers within the Departments. The use of a combined secretarial pool in each Department should be considered initially, to determine the quantity of work that is required. Again, current employees could be invited to apply for these positions, if their background and skills are compatible with the requirements.

2 **MARKETING AND SALES EMPLOYEES**

The Entertainment Promotions and Sales Manager:

This newly created position would require a person who is well-versed in a broad range of entertainment categories, to be able to program effectively for both performing arts and arena-style entertainment. Sales functions for Copps events would continue to be the responsibility of the current Copps Sales Executive, with an expanded scope to include HP concert bookings within a pre-developed programming strategy.

The Entertainment Manager would carry out a similar role and activity to that envisioned by the Hamilton Place Task Force in its November 1990 report. As a departure from the Task Force's model, we are recommending that the Manager report directly to HECFI's CEO, rather than through an arms-length relationship as suggested by the Task Force.

The Entertainment Manager would be responsible for:

- championing the performing arts program within HECFI;
- rebuilding audiences and a creative vision;
- booking performing arts acts at HP which fulfil the HP mandate;
- serving as the HP facility contact; and
- acting as the primary liaison with permanent HP tenants.

An external search would likely be required to fill this position, to ensure that HP's suffering position as a viable force under the HECFI umbrella is reversed and its artistic credibility quickly re-established within the performing arts industry.

Training Requirements:

Some retraining or additional training should be expected, to permit a number of current employees to assume expanded marketing and sales responsibilities. In particular, facility orientations will be needed for all Sales Executives who will be responsible for renting out space in more than one facility.

Size of the Promotions and Public Relations Department:

The current four-person promotional department may be too large once tasks are reviewed and consolidated, and current contracting-out initiatives are fully investigated for costs and benefits. Significant re-alignment of this department may be possible, by eliminating those positions based on skills which can be effectively contracted out (further discussion is provided in Section).

3. *EVENTS DELIVERY SERVICES EMPLOYEES***The Events Delivery Services Director:**

The newly created position of Events Delivery Services Director needs to be filled by a person having a strong managerial background, with an emphasis on events delivery experience rather than plant or building maintenance, to provide the planning and decision-making direction required. Team-building capabilities are essential, in order to maintain strong communication links among the various groups within the Department. Particular attention would be needed to ensure that the Building Operations Manager, reporting to this Director, can provide specific technical expertise in the areas of facility maintenance and environmental controls.

Events Managers and Assistant Events Managers:

One Events Manager should be able to co-ordinate the planning of events delivery at both Copps Coliseum and Hamilton Place, but only if:

- the tasks previously carried out by the HP Front-of-House Manager are divided, with building maintenance tasks and catering services tasks being assigned to the Managers of Building Operations and of Catering Services, respectively; and
- Assistant Events Managers are assigned to each facility to provide coverage on the night of the event and to assume responsibility for the staffing co-ordination concerns and patron questions related to events delivery.

These Assistants would need to carry out duties that include:

- contributing specialized facility-based knowledge when planning the Events Delivery response to an event's requirements;
- being present at each event that the Manager is unable to attend;
- ensuring co-ordination and proper "sign-ins" of all part-time staff;
- resolving patron complaints (i.e. liaise with C.U.P. to alter the temperature in the Great Hall at H.P.); and
- preparing an Events Chargeback Sheet to facilitate the financial settlement with the promoter.

The position of Assistant Events Manager is currently vacant at Hamilton Place. We suggest hiring a person with a front-of-house theatre background and knowledge of IATSE staff roles. A careful assessment of work volume at Hamilton Place would be needed to determine whether this position should remain a full-time or become a part-time position. During the audit, it was unclear which option would be most satisfactory.

4. *FINANCE AND ADMINISTRATION EMPLOYEES*

As mentioned in the body of the report, details concerning the staffing and structure of this Department will be discussed in the Costs and Productivity section in order to provide a thorough review of its operations.



APPENDIX VIII

OBSERVATIONS ABOUT THE FINANCE AND ADMINISTRATION DEPARTMENT

This appendix will discuss the audit observations concerning the size of the Finance & Administration Department (F & A). The potential for staff reduction in F & A is low, given current corporate requirements and expectations, and HECFI management's pattern of allocating responsibility for most quantitative assessment matters to the F & A department.

1. *F & A Organizational Size versus that of Other Businesses:*

Some concerns about HECFI's staff size have been based on a view that the department is larger in size than either the City's or private businesses' accounting departments. Three points we have observed to counteract that view are that:

- the public accountability role of HECFI creates demands not required of a private firm. Most of the accountability information currently aggregated is collected, analyzed, commented upon, and reported through F & A, although a certain amount of this could be presented by other operating departments;
- the scope of the accounting tasks and the type of revenue flows in this industry differ from a municipality. HECFI requires monthly accrual accounting than cash accounting. It also deals with food and beverage inventory requirements and different taxation concerns; and
- this department has a wider range of activities than would generally be found in a finance department. These responsibilities and the staff complement for three years are shown on the next page.

Responsibility	1987		1988		1990	
	F.T.	P.T.	F.T.	P.T.	F.T.	P.T.
Finance and Administration	4	1	4		3	
Accounting	7		8	1	7	
Box Office	6	10 - 30	6	10-40	6	30-50
Human Resources	0		0		1	
TOTALS	17	11 - 31	18	11-41	17	30-50

While this department may be the largest within HECFI, it has remained at its 1987 size. Seven staff are dedicated to accounting/finance matters, a decrease in size over 1988. Senior staff, in particular, work a significant amount of overtime.

2. *Necessity of Activities:*

Corporate managerial expectations, plus reporting requirements, form major components of F & A activity, beyond routine accounting tasks. In addition, financial events settlements with promoters are carried out by senior Finance staff, usually on the night of the event. Increased efficiency in any of these areas could only occur by a change in expectations and practices by all departments at HECFI.

1. *Corporate Expectations:*

Organizational Attitudes: There appears to be an organizational view that any task or activity requiring a quantitative analysis should be undertaken within F & A. This view is further encouraged by the pervasive view of departmental overstaffing, with the result that other HECFI managers are

abdicating responsibilities for financial and quantitative analysis that rightfully fall within their bailiwick.

Environmental Demands: A rigorous set of internal reviews reflects a cautious approach to controlling funds and expenses in HECFI's potentially high-risk industries. Reviews occur on a relevance and "exception basis"¹, to pinpoint areas where further analysis is needed and to minimize excessive reviews.

The accrual accounting method used by HECFI increases the workload and responsibility of the F & A staff, as the City's non-accrual reports must be transferred monthly into an accrued format. In an environment where revenue projections can vary widely from actual levels, this approach is seen to be necessary both by the City Treasurer and HECFI F & A staff. It is also consistent with the accounting method used in similar facilities, to provide an accurate reflection of revenue and expense activity.

A "Watchdog" Role: F & A carries out certain "watchdog" reviews, where the Accounting Supervisor identifies the impact of an invoice on specific accounts and notifies the appropriate department if a problem is apparent.

By increasing the expectations for operating managers to exercise responsibility for expenditure assessment, F & A's involvement could be reduced to a role of periodic or exception reviews. Requiring departments to carry out particular financial analysis on their decisions (i.e. break-even analyses to support pricing decisions or HECFI co-promotions), would release F & A staff time. While such a re-allocation of responsibility should reduce demands on F & A time, it is difficult to determine the total

¹ Revenue/expense margins are calculated, then reviewed by the Controller for reasonableness. Accounts having margins out of the norm are then reviewed in depth to ensure accuracy and identify the source of the variance, in order to initiate management corrections where necessary.

impact on staff size if changes occurred. The result might be a reduction in F & A staff size, simply a staff re-allocation elsewhere, a net decrease in organizational size, or just a reduction in F & A overtime loads.

2. *Financial and Activity Reporting:*

F & A produces extensive and relatively sophisticated reports to:

- summarize HECFT's financial situation;
- provide direction for management decisions; and
- respond to ad hoc requests for information from the Board and senior management.

These reporting activities occupy an average of 47% of total accounting and finance staff time, based on 35 hour work weeks. A breakdown of time follows:²

Report Category	Director and Comptroller	7 Accounting Staff
Monthly Reports	28.5%	39.0%
Special Requests	22.9%	2.8%
Annual Budget (averaged over the year)	<u>8.3%</u>	<u>2.1%</u>
APPROXIMATE TOTAL TIME	59%	44%

A management review of the various reports was carried out earlier this year, with a subsequent decision that all reports be continued. The best potential for reducing F & A's report generation time appears to be with a decrease in the "Special Requests" category.

² Based on a report prepared by F&A at the request of the CEO in July 1990. Conservative estimates were reported to have been used.

3. *Events Settlements:*

For most events and activities at Copps and HPT, senior finance staff carry out a "night-of-event" financial settlement with the promoter, based on cost sheets provided by the events and box office departments. Reviewing the contract prior to the settlement, calculating costs, preparing a cheque on the night of the event and allocating the accounts are tasks which add to the overtime load of senior F & A staff.

An alternative arrangement is for either sales or box office staff to carry out the settlement, with periodic reviews by finance, an approach used by many of the comparator facilities that we reviewed. Since the Box Office reports to the F & A Comptroller, a measure of control is possible. Sales involvement could also act as an inducement for closer attention to the financial implications of the signed contract. Finance may choose to carry out those particular settlements where the financial impact is large, i.e. a cheque over a certain dollar limit (i.e. \$200,000).

3. *HECFI - City Task Duplication:*

The City's Treasury Department issues all payroll and accounts payable cheques, and carries out accounts receivable, general ledger, and treasury functions for HECFI, based on records of transaction and other work submitted by HECFI staff. HECFI staff carry out monthly accrual of expenses and revenues, which differs from the City's funds accounting approach of annual accruals at year end. The City Accounting Supervisor reviews HECFI's financial data from the perspective of the financial impact for the City, rather than as a review or recalculation of HECFI employees' work.

No major task duplication was identified. Three minor areas of inefficiency were noticed, as follows:

- invoice preparation was the only obvious task duplication. HECFI staff prepare a detailed, typed invoice which the City attaches to a second invoice prepared on City letterhead. It is appropriate for HECFI to

prepare the detailed invoice, as they are most directly aware of the chargeable details. If all invoices must be sent on City stock, providing HECFI with a supply could eliminate the second clerical step that is now carried out by the City.

- the method used to notify the City Payroll system about gratuity allocations could be improved, as City employees must currently process the information further. It appears that using specific employee sheets with proper account numbers would resolve this.
- City payroll employees periodically notice errors in payroll account allocations or in the distribution of regular or overtime hours. City employees notify HECFI of the error; however, we have been advised that similar problems recur. As a result, Payroll is the only area where a City employee re-checks HECFI information before processing. Correcting these errors would improve the productivity of both City and HECFI employees. Attention should be given to determine why these problems recur and to resolve them.

None of these three areas are major problems that drain a great deal of staff time. Improving these methods is certainly a worthwhile task which may lead to reduced frustration, yet it is unlikely to decrease the F & A staff size.

4. *Task Duplication within the Department:*

This audit was unable to identify obvious or significant task duplication within the Department.

Based on both the interviews conducted during the audit and the department's job descriptions, it appears that each accounting clerk and finance officer has distinct responsibilities (see summary at the end of this Appendix). In some areas, two staff may carry out separate and specific components of a common task (such as accounts receivable), permitting an added layer of internal control. This also provides internal staff backup.

Overall, the potential for cost reductions does not appear to be high in this department. In fact, there is an argument to be made that insufficient clerical support is available, with only one person providing this service to all the F & A staff. As Human Resource issues increase in complexity with increased unionization and legislation, and require greater clerical support, the single employee who acts as the Departmental secretary will increasingly be unlikely to respond adequately to all the clerical needs of Finance, Accounting, Box Office, and Human Resources.

SUMMARY OF ACTIVITIES OF HECFI FINANCE AND ACCOUNTING STAFF

POSITION	PRIMARY ACTIVITIES
Director of Finance and Administration	• serve as acting CEO in the CEO's absence • responsible for all financial; Box Office; and human resource matters for HECFI • lead and direct the HECFI capital and operating budgeting process • final approval and interpretation of all financial statements and Departmental reports before submission to the CEO or Board - develop and recommend corrective action for budget variances • review all reports and activities related to HECFI human resource issues; serve on negotiating team with the unions • prepare special request quantitative reports for the Board, the CEO, and management team; review legal contracts for financial impact • approve and sign all requisitions over \$2,000, submit those over \$5,000 to CEO • monitor and verify compliance with commission-based and client contracts • attend all Finance & Administration Committee and Board of Director meetings as a resource; be available to attend other Committee meetings as required • assess all HECFI recommendations to the Board which have a financial implication
Controller	• supervise Box Office and Accounting functions • assess events contracts and carry out approximately half of "night of event" financial settlements for Copps and HPT • review Box Office operations to anticipate financial consequences • evaluate financial implications of contracts and monitor compliance • check financial statements and assign work through Accounting Supervisor; authorize all requisitions over \$500; submit those over \$2,000 to the Director for additional signature(s) • prepare accounting reports that have high sensitivity or high financial impact • apply "reasonableness tests" to financial reports, operating margins, inventory reports; identify areas of concern and recommend corrective action
Accounting Supervisor	• supervise and review work, and resolve problems for finance officers and accounting clerks; carry out performance reviews; assign "irregular" tasks • review and authorize all A/R; A/P; payroll time sheets; and journal entries (any A/P requisitions above \$500 also signed by managers - these would account for approximately 20% of all A/P); notify departments when budget limits being reached • consolidate accounting clerk activities into monthly financial statements and carry out necessary analysis of variances, unusual relationships; prepare year-end statements • carry out a portion of the "night of event" settlements

Senior Finance Officer	• daytime events settlements for HPT and Copps (i.e. Dukes Hockey, local arts groups) • prepare monthly activity and event revenue reports for the facilities • primary finance liaison for HPT • reconcile General Ledger and Event Revenue reports; allocate corporate revenues and expenses to facility budgets; maintain settlements journals, cash receipts journals and cheque register; reconcile with monthly City account postings and carry out necessary accruals • provide some assistance and advice to accounting clerks • act as the City liaison and internal contact for computer system
Finance Officer	• carry out finance functions for HCC and send information to Finance in its final form -- reconcile and journalize all cash deposits; check invoices prepared by Banquet Services against function sheets; process A/R for HCC; follow-up on post-event A/R (one invoice/event -- 850 - 900/year); calculate inventory variances • prepare all cheque requisitions for HCC payables; prepare month-end A/P accruals • ensure all cash and advance payments are properly deposited
Accounting Clerk	• accounting tasks related to Events Revenues and reconciliation of Box Office and Ticketmaster sales and charges • track A/R and follow-up where necessary; prepare monthly A/R and salary/wage accruals from City information • maintain monthly ledgers for A/R
Accounting Clerk	• check and track all HECFI purchase orders and distribute for authorization, record A/P and respond to inquiries; accrue monthly A/P from City information • maintain monthly ledgers for A/P • check time sheets for all HCC part-time employees and prepare for City input
Accounting Clerk	• process A/R invoices from HCC; monitor and accrue all HECFI commission revenue; journalize events settlements • invoice for security charges; reconcile events liability and advance deposits • journalize and accrue C.U.P. charges • prepare balance sheet for financial statements
Accounting Clerk	• prepare monthly reconciliations • banking duties - funds transfers, bank deposits, liaison with bank • various duties related to petty cash, LATSE payroll detail, promoter withholding taxes, HPT and Copps invoices

Species	Description
<i>Quercus agrifolia</i>	- Large, spreading tree with thick, deeply furrowed bark. - Leaves are alternate, elliptical to ovate, with serrated margins. - Acorns are large and have a long, scaly cupule.
<i>Pinus strobus</i>	- Medium-sized tree with a slender trunk and a dense, conical crown. - Needles are arranged in bundles of five. - Cones are elongated and have a woody, scaly surface.
<i>Larix laricina</i>	- Medium-sized tree with a slender trunk and a dense, conical crown. - Needles are arranged in flat, fan-like sprays. - Cones are elongated and have a woody, scaly surface.
<i>Thuja occidentalis</i>	- Medium-sized tree with a slender trunk and a dense, conical crown. - Needles are arranged in flat, fan-like sprays. - Cones are elongated and have a woody, scaly surface.
<i>Juniperus communis</i>	- Medium-sized tree with a slender trunk and a dense, conical crown. - Needles are arranged in flat, fan-like sprays. - Cones are elongated and have a woody, scaly surface.
<i>Abies balsamea</i>	- Medium-sized tree with a slender trunk and a dense, conical crown. - Needles are arranged in flat, fan-like sprays. - Cones are elongated and have a woody, scaly surface.
<i>Podocarpus nelsonii</i>	- Medium-sized tree with a slender trunk and a dense, conical crown. - Needles are arranged in flat, fan-like sprays. - Cones are elongated and have a woody, scaly surface.



APPENDIX IX

LISTING OF MONTHLY REPORTS PREPARED FOR HECFI BOARD AND MANAGEMENT

FINANCIAL REPORTS

Monthly Financial Statements
Event Revenue Reports
Monthly Ticketmaster Service Charge
Monthly Payroll Report
Accounts Receivable Aged Trial Balance
Open Purchase Order Listing
Events Settlements Report
Status of Capital Projects

Budget Control Summary
Revenue and Expense Summary
Budget vs. Actual-Promotion and
Co-Promotion Events
Summary of Ticketmaster Cash
Receipts vs. Sales
Over/Short Report for HCC
Special Event Subsidy Fund Report

SALES ACTIVITY REPORTS

Advance Ticket Sales
Origin of Ticket Sales
Sales Report on Meals

Complimentary Parking Reports
HCC Sales Activity Report
Copps Sales Activity Report

SAMPLES OF AD HOC REPORT REQUESTS

Patron Ticket Levy Report
History of Negotiating Team Selection

Volume Concessions Menu Pricing Report
Analysis of Variable and Fixed Costs
(one report/facility)

EXTERNALLY REQUIRED REPORTS

CAPAC/PROCAN Quarterly Reports
Taxable Sales Reports

Non-Resident Withholding Tax Return
and Remittance
Analysis of Insurance Claims

APPENDIX IX

LISTING OF REPORTS & SUBJECTS
FOR SELECT BOARD AND MANAGEMENT

FINANCIAL REPORTS

Annual Financial Statement
Quarterly Financial Statement
Statement of Assets and Liabilities
Statement of Income and Expenses
Statement of Cash Flows
Statement of Changes in Equity
Statement of Management's Discussion and Analysis

Annual Financial Statement
Quarterly Financial Statement
Statement of Assets and Liabilities
Statement of Income and Expenses
Statement of Cash Flows
Statement of Changes in Equity
Statement of Management's Discussion and Analysis

SALES ACTIVITY REPORTS

Quarterly Sales Report
Annual Sales Report
Sales by Product Line

Quarterly Sales Report
Annual Sales Report
Sales by Product Line

SAMPLES OF AD HOC REPORTS
REQUESTS

Request for Information on Sales Performance
Request for Information on Financial Performance
Request for Information on Operational Performance

Request for Information on Sales Performance
Request for Information on Financial Performance
Request for Information on Operational Performance

FINANCIALLY RELATED REPORTS

Annual Financial Statement
Quarterly Financial Statement
Statement of Assets and Liabilities

Annual Financial Statement
Quarterly Financial Statement
Statement of Assets and Liabilities

ACCOPRESS®



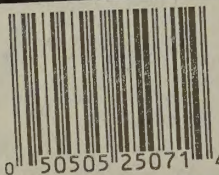
25070	YELLOW/JAUNE	BY2507
25071	BLACK/NOIR	BG2507
25072	BLUE/BLEU	BU2507
25073	R. BLUE/BLEU R.	BB2507
25074	GREY/GRIS	BD2507
25075	GREEN/VERT	BP2507
25077	TANGERINE	BA2507
25078	RED/ROUGE	BF2507
25079	X. RED/ROUGE X.	BX2507

MADE IN CANADA BY/FABRIQUÉ AU CANADA PAR
ACCO CANADIAN COMPANY LIMITED
COMPAGNIE CANADIENNE ACCO LIMITÉE
TORONTO CANADA

HAMILTON PUBLIC LIBRARY



3 2022 21335317 6



0 50505 25071 4